

# KHAI-MA MUNICIPALITY



## ANNUAL REPORT

2011/12

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# Chapter 1

## CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

### COMPONENT A: MAYOR’S FOREWORD

#### MAYOR’S FOREWORD

It is with a sense of humility and responsibility that I introduce the 2011/2012 Annual Report of the Khâi-Ma Municipality, in compliance with legislative and accountability requirements. This Report presents the institution’s achievements and challenges in accelerating and improving service delivery and development in Khâi-MA. 2011/12 financial year has been one of the most difficult and challenging years in the history of Khâi-Ma Municipality. During this year the Municipality witnessed the departure of the Municipal Manager and managing vacancies remained without adequate leadership for the whole year. Apart from the two events the Municipality was plunge into housing project crises of the 2009/10 financial year, which provoked interventions from external counterparts such as the Department of Local Government and Traditional Affairs. There is no denying that the review period has been a challenging one for the institution, following the cash flow experienced for the greater part of the period and the consequences this held for service delivery.

We are also humbled by comments and ratings that the Municipality have obtained in achieving its objectives in key performance areas applicable to local government which will be outlined in this Annual Report.

#### Highlights during the financial year

- Unqualified audit opinion from the Auditor-General for the third year in succession.
- Provision of portable water within Khâi-Ma Municipality to 100% of households, with exception to some smallholdings.
- Altogether 150 new households were constructed.
- Successful hosting of the first policy workshop.
- Creation of 300 works opportunities through EPWP Program.

#### The year ahead

The Municipality shall once again and unconditionally embrace the culture of a developmental local government. A number of strategies and plans were set in motion in an attempt to resuscitate the Municipality from the detrimental situation:

- The first step will be stabilising the administration *inter alia* by filling the key strategic vacancies, and

tightening discipline and performance.

- Prioritising intergovernmental challenges such as weak systems, uncoordinated planning, and uninterrupted budget planning.
- Prioritising job creation and development initiatives focusing on the youth, gender, people with disabilities and other marginalised sectors.
- Addressing service delivery challenges such as the slow progress in the provision of integrated and sustainable human settlements.
- Addressing the irregular, fruitless and waste full expenditure and other findings reflected in the Auditor-Generals report.
- Identify infrastructure projects and deliver it in such a manner that will always make us proud, and leave a mark that will be celebrated not only by the current generation but also many generations that would come.

We believe that we still have room for improvement and we must focus on improving our situation for the better. But this we cannot do on our own we need all the support we can get from all our stakeholders, and we must utilize all capacity we possess, give it our best effort. I therefore in the light of the above express my sincere gratitude to all Councillors, Officials, Communities of Khâi-Ma Municipality and Stakeholders for their efforts, support and hard work, which enable the institution to record service delivery progress during the year under review.

God bless

(Signed by :) \_\_\_\_\_

Mayor

Councillor Aurelia Josop



## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. MUNICIPAL MANAGER'S OVERVIEW

#### MUNICIPAL MANAGER'S OVERVIEW

This municipality is committed to improve the lives of its inhabitants following National Government's outcomes, especially outcomes 8 and 9, National Spatial Development Perspective (NSDP), The Northern Cape Provincial Growth Development Strategy (PGDS) and relevant legislation.

All the key performance areas which are spatial development, service delivery, institutional development and human resource management, local economic development, viability and financial management governance need attention since backlogs incurred on all of them. Developing outstanding sector plans together with the promulgation of by- laws are priority. The appointment of competent staff in the key positions will enable the municipality to achieve its development objectives as they are needed to implement the identified projects and to prevent further failure to spend all the DORA allocations and other grants which amount to R27,027,000 instead of re- paying it to National Treasury after the financial years. The aggressive implementation of relevant policies will also assist in the payment percentage of 50% increasing the municipality's annual income.

The implementation of the workplace skills plan will not only built the capacity of the human resources, but improve their conduct in general as they will understand their roles, interpret legislation and commit themselves to effective and efficient service delivery.

Therefore, the adoption and implementation of a local economic development strategy is also a priority in order to improve the municipality's income base through job creation projects in a sustainable manner. As a result the total indigent households of 77% of all households in its jurisdiction will be decreased and the municipality will be capable to fund some of its job creation and capital projects.

In my view, it is possible to achieve the council's development objectives with all the resources available within a reasonable timeframe and full public participation.

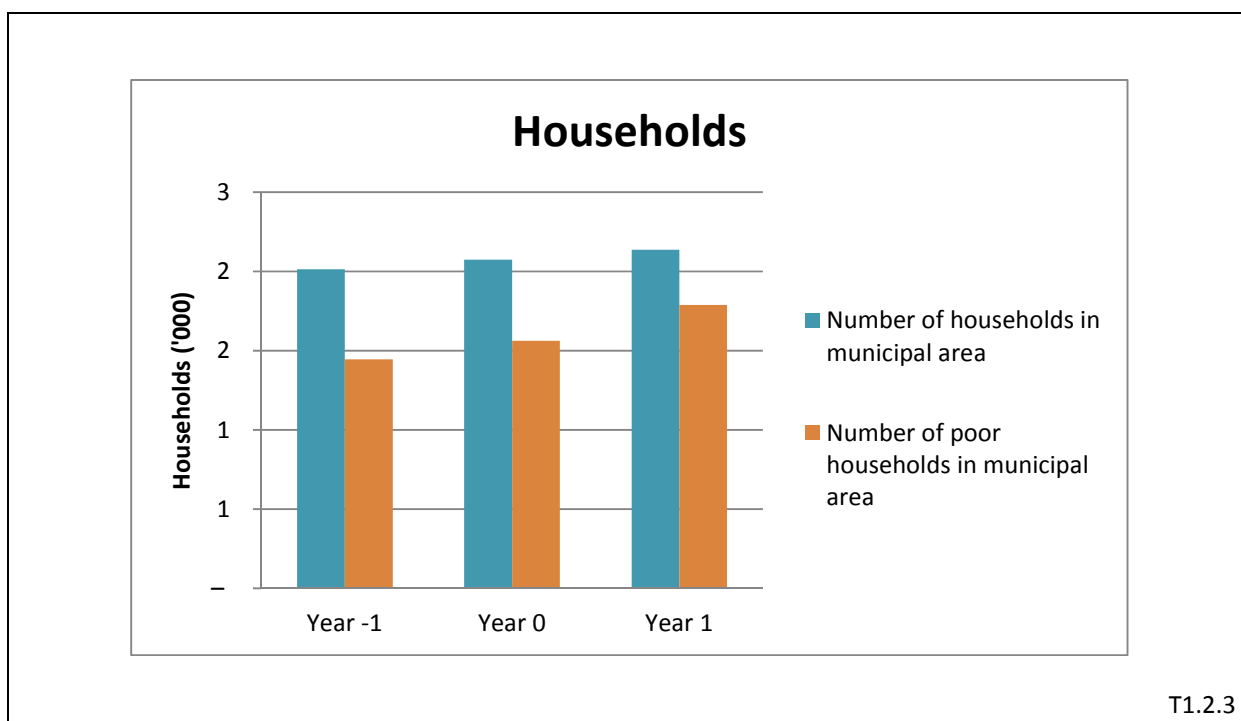
# # Chapter 1

## 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Population Details									
Age	Year -1			Year 0			Year 1		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 4	490	435	925	545	468	1013	567	493	1060
Age: 5-14	1090	987	2077	1113	1010	2123	1157	1083	2240
Age: 15-34	2101	1753	3854	2120	1801	3921	2208	1844	4052
Age: 35-64	1555	1560	3115	1602	1599	3201	1652	1646	3298
Age: 65+	189	227	416	243	311	554	254	333	587
Total	5425	4962	10387	5623	5189	10812	5838	5399	11237

Source: Statistics SA

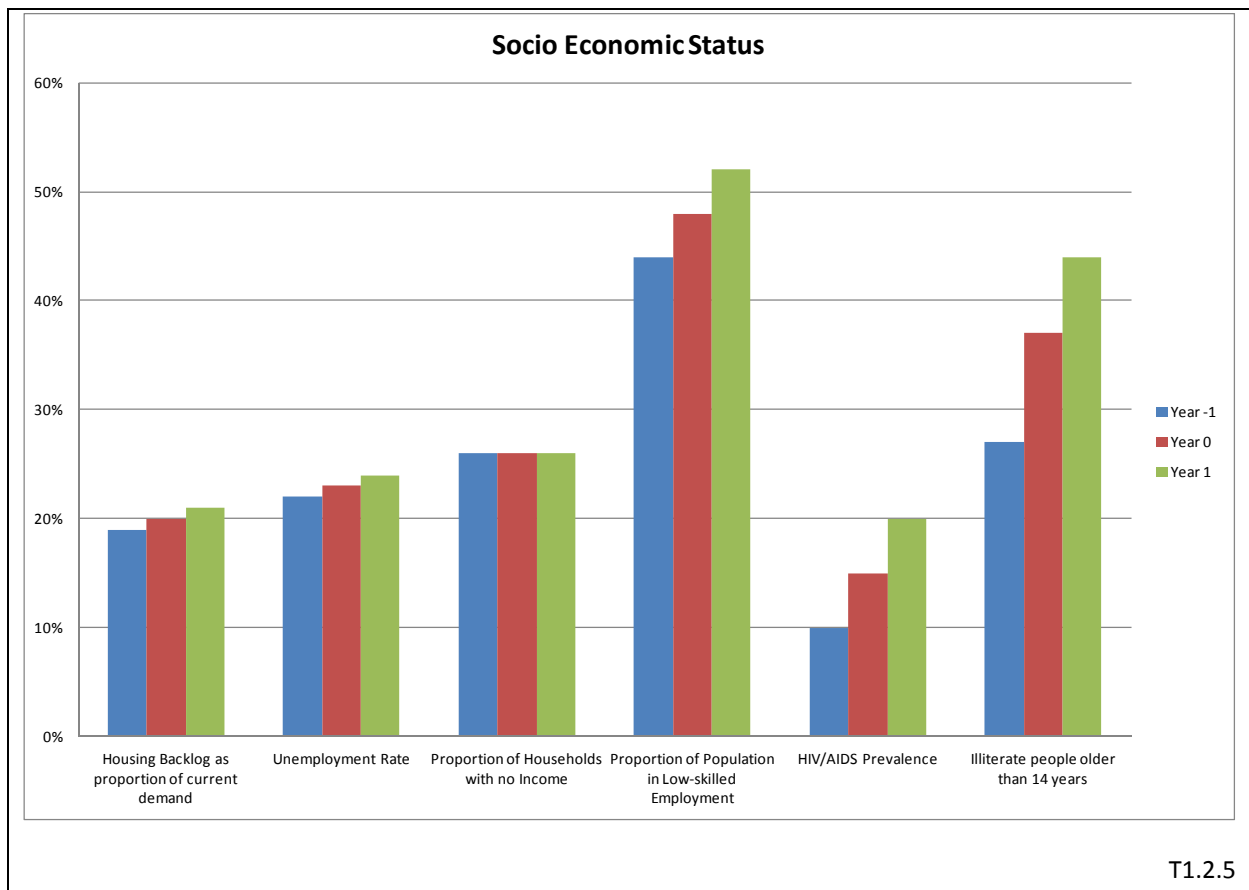
T1.2.2



# Chapter 1

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Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
Year -1	19%	22%	26%	44%	10%	27%
Year 0	20%	23%	26%	48%	15%	37%
Year 1	21%	24%	26%	52%	20%	44%
T1.2.4						



# Chapter 1

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Natural Resources	
Major Natural Resource	Relevance to Community
Agriculture and Agro -Processing	Release land to local communities
Mining	Infrastructure, enterprise Development and Poverty Alleviation and community upliftment
Renewable Energy	Job Opportunities, skills Development and Upgrading of infrastructure
Tourism	Economic development
	T1.2.7

## COMMENT ON BACKGROUND DATA:

The municipality is characterized by vast tracts of land, pristine natural environment, unique mountains and its limited cell phone reception, which can be regarded as a unique attraction by some urban dwellers who wish to escape the rush of the cities. This inherent potential for eco-tourism needs to be exploited and managed in a sustainable manner in order to retain this unique setting.

In addition, Orange River and flowering season in Namakwaland attracts tourist from across the country and abroad. Khai-Ma offers numerous tourism attractions like 4X4 trails, walking routes, mountain climbing, the cathedral at Pella, a “Quiver” forest at Onseepkans and cultural heritage.

T1.2.8

## 1.3. SERVICE DELIVERY OVERVIEW

### SERVICE DELIVERY INTRODUCTION

Basic Services were rendered to households at all communities except in the case of Aggeneys which is a mining town and the mining company is currently responsible to deliver services to the community and Witbank.

#### Water

All households have access to potable water.

- 181 (one hundred eighty One) new consumers are connected to networks on application.
- The water supplying systems at Onseepkans and Witbank need to be upgraded, since the households, which are situated higher struggle to get water especially in the summer time.

# # Chapter 1

- Water consumption is in general high due to lack of proper control, default meters and defective toilets systems. Households which are registered as indigents consume more than the quantity of 6 kilolitres with no limits.
- Water restrictions have to be established to ensure proper management .
- This municipality participation in the Blue Drop System is poor and staff needs intensive training.
- The quality of the potable water is still a concern.

## (b) Sanitation

- An estimated volume of 3472 cm<sup>3</sup> refuse are removed from all consumers.
- Refuse removal is always a challenge.

## (c) Waste Water

- Only two (2) sewerage trucks were utilised to render this services which will grow within the next financial year.
- Since some septic tanks need to be emptied daily, this service needs to be upgraded at Pofadder and Onseepkans by extending the existing sewerage systems. However, an application submitted to MIG was unsuccessful for Pofadder Waste Water Supply.
- The oxidation pounds need to be fenced for cleaner and safer service. Currently the pounds are open for children to swim in it and goats of emerging farmers are also found into it.
- No record was kept of the waste water removed since the trucks and the sewerage pounds do not have bulk meters.

## (d) Electricity

- All the inhabitants except for the community of Witbank had access to electricity.
- The capacity of the power supply is still a challenge at Onseepkans.
- The high mast lights cannot be activated due to the low capacity.
- Escom promised for the past three years to upgrade the supply, but did not fulfil its promise yet.

T1.3.2

# # Chapter 1

## 1.4. FINANCIAL HEALTH OVERVIEW

### FINANCIAL OVERVIEW

The municipality experienced severe cashflow problems. This is due to the fact that the municipality has a very small income base because of the severe number of unemployed households within the region. The municipality is dependant on grant funding due to the small income base. Should the equitable share not be increased substantially in the future, the municipality will be faced with serious going concern problems.

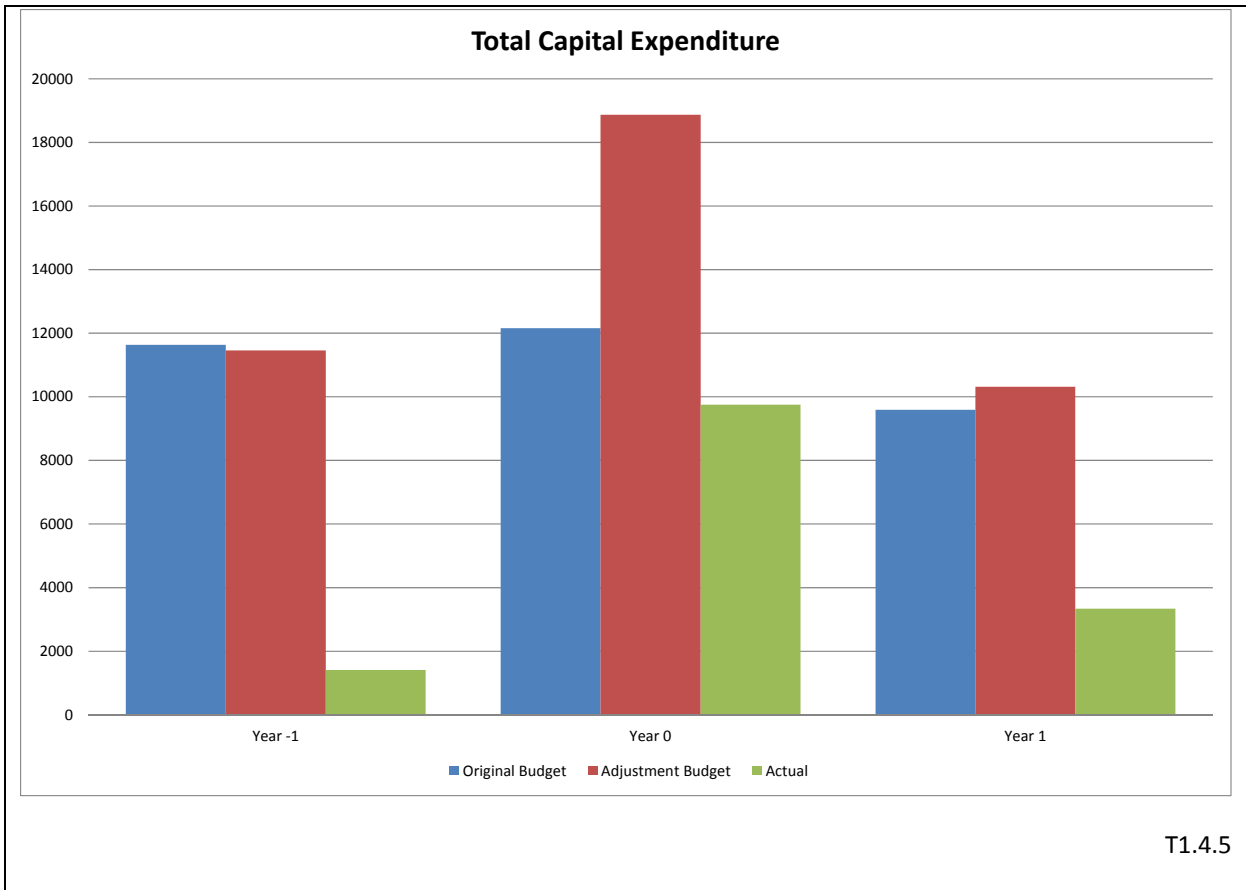
T1.4.1

Financial Overview - Year 1			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income			
Grants	33642	37059	24083
Taxes, Levies and tariffs	11609	11869	12439
Other	271	550	599
Sub Total	45522	49478	37121
Less Expenditure	36992	40454	39336
Net Total*	8530	9024	-2215
Surplus/(deficit)	Surplus	Surplus	Deficit

Operating Ratios	
Detail	%
Employee Cost	34.67
Repairs & Maintenance	3.36
Finance Charges & Depreciation	8.88
T1.4.3	

Total Capital Expenditure: Year -1 to Year 1			
			R'000
Detail	Year -1	Year 0	Year 1
Original Budget	11637	12158	9593
Adjustment Budget	11460	18868	10319
Actual	1409	9753	3339
			T1.4.4

# # Chapter 1



## COMMENT ON CAPITAL EXPENDITURE:

The low capital expenditure as a result of MIG project not registered.

# # Chapter 1

## 1.5. AUDITOR GENERAL REPORT

### AUDITOR GENERAL REPORT YEAR 1

**Unqualified report with findings:**

Annual performance report was not submitted for audit;  
Material findings on usefulness of information;  
Material findings on reliability of information.

**Internal Controls: Leadership**

The Municipality did not develop and submit for adoption by council a performance management system;  
The position of Municipal manager was held by a number of individuals, most of who served in an acting capacity, resulting in a lack of continuity in leadership;  
Financial and performance management;  
Inadequate monthly reconciliations to ensure that the information included in the financial statements is complete and accurate;  
Inadequate review and monitoring of compliance with applicable laws and regulations ;  
Inadequate review of financial statements prior to submission for audit;  
Management did not submit an annual performance report for audit Governance;  
Council did not establish an audit committee;  
The Internal audit did not function properly.

**Key controls & quarterly visits:**

Impact Minimal – AGSA messages are understood, but implementation is lagging;  
Management always availed themselves for these discussions ;  
Management is committed to clean audit outcomes .

**Assessment of chief financial officer (CFO):**

CFO cooperated fully with the audit team and facilitated the audit process

**Management commitments:**

All outstanding policies and procedures shall be developed and implemented.  
Share the functions of audit committee and Internal audit with Namakwa District Municipality  
The action plan that was developed to address external audit findings shall be reviewed and monitored on a monthly basis.  
The municipality liaised with Namakwa District Municipality to assist with the information technology governance framework.  
Compile a risk assessment and fraud prevention plan for the 2011/12 financial year. Hold awareness sessions.  
Appoint risk champions. Review the fraud prevention plan.



# Chapter 1

## 1.6. STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 1 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January
T1.7.1		

**COMMENT ON THE ANNUAL REPORT PROCESS:**

A draft annual report was not submitted during the audit process due to the lack of senior managers.

T1.7.1.1

# Chapter 2

## CHAPTER 2 – GOVERNANCE

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

#### INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

Note: The Constitution S151 (3) states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community.

T2.1.0

#### 2.1 POLITICAL GOVERNANCE

##### POLITICAL STRUCTURE

Function

##### **MAYOR**

Councillor Aurelia Joslind Josop

##### **SPEAKER**

None

##### **CHIEF WHIP**

Councillor Henry Raman

##### COUNCILLORS

Khâi-Ma has seven (7) Councillors, three (3) Proportional Representation(PR) and four (4) Ward Councillors. The Four (two male and two female) Ward Councillors represent the ANC, two (one male and one female) represent COPE and one (1 male) represent DA. The Mayor is the Chairperson of Council.

# # Chapter 2

## 2.2 ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Note: MFMA s60 (b): The Municipal Manager of a municipality is the accounting officer of the municipality for the purposes of this Act and must provide guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality.

T2.2.1

### TOP ADMINISTRATIVE STRUCTURE

*Photo*

#### TIER 1

**Function**

#### ACTING MUNICIPAL MANAGERS

Petrus Baker  
Irwin Januarie

*Photo Executive*

#### TIERS 2

*Directors*

#### EXECUTIVE DIRECTOR: Title

*Directors*

(Name)

*Optional*

DIRECTOR: title

(Name)

DIRECTOR: title

(Name)

etc

Note: \* Notes -officials on fixed term performance contracts reporting to the Municipal Manager under the Municipal Systems Act Section 57.

T2.2.2

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Note: MSA S3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisaged in the Constitution S41.

T 2.3.0

## 2.3 INTERGOVERNMENTAL RELATIONS

### DISTRICT INTERGOVERNMENTAL STRUCTURES

According to the Municipal Structures Act Amendment Act, a district municipality is responsible for integrated development planning for the district municipality as a whole, including a framework for integrated development plans of all municipalities in the area of the district municipality. The Municipal Structures Act further states that this framework binds both the district municipality and the local municipalities in the area of the district municipality. The municipality face serious capacity constraints. Therefore, it is useful to allocate certain challenging tasks, which require scarce resources, to the district municipality.

T2.3.4

# Chapter 2

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

MSA S15 (b): requires a municipality to establish and organise its administration to facilitate and a culture of accountability amongst its staff. S16 (i): states that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance. S18 (i) (d): requires a municipality to supply its community with information concerning municipal governance, management and development.

T 2.4.0

## 2.4 PUBLIC MEETINGS

### COMMUNICATION, PARTICIPATION AND FORUMS

Communications between the municipality and its citizens should be in the form of qualitative engagement. This entails the identification of needs and subsequent implementation of programmes and projects that address such needs. The strategy shall amongst other things recommend that media and other means of communication be utilized by the municipality to achieve its strategic communicative goals.

T2.4.1

# Chapter 2

## WARD COMMITTEES

Only five meeting were held during the financial year.

T2.4.2

### Public Meetings

Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Dates and manner of feedback given to community
Council Meets the People Ward 1	17-Aug-11	Six (6)	Four (4)		None
Council Meets the People Ward 2	6-Sep-11	Six (6)	Four (4)	46	None
Council Meets the People Ward 3	14-Sep-11	Six (6)	Four (4)	102	None
Council Meets the People Ward 3	14-Sep-11	Six (6)	Four (4)	42	None
Council Meets the People Ward 4	15-Sep-11	Six (6)	Four (4)	25	None

T2.4.3

# Chapter 2

## COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

The attending of the public meetings were not always very good. Council should encourage the public to attend the meetings. This meeting is very important because of the IDP and Budget.

T2.4.3.1

## 2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	No
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	No
Were the four quarter aligned reports submitted within stipulated time frames?	No
* Section 26 Municipal Systems Act 2000	T2.5.1



## COMPONENT D: CORPORATE GOVERNANCE

### 2.6 RISK MANAGEMENT

#### RISK MANAGEMENT

Note: MFMA S62 (i) (c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management.

The management of risk is the process by which the Accounting Officer, Chief Financial Officer and the other senior management of a Municipality will pro-actively, purposefully and regularly, but at least annually, identify and define current as well as emerging business, financial and operational risks and identify appropriate, business and cost effective methods of managing these risks within the Municipality, as well as the risk to the stakeholders.

Risk is often created by:

- Changes that takes place within the Municipality (i.e. people, systems, processes, technology, legislation and regulations);
- External influences (i.e. economics, availability of human resources and damages);
- Operations and complexity of processes;
- Volume of activities within a Municipality; and
- The nature of the control environment.

T2.6.1

## 2.7 ANTI-CORRUPTION AND FRAUD

### FRAUD AND ANTI-CORRUPTION STRATEGY

Notes: See Chapter 4 details of Disciplinary Action taken on cases of financial mismanagement (T4.3.6). MSA 2000 S83(c) requires providers to be chosen through a process which minimizes the possibility of fraud and corruption.

Khâi-MA subscribes to the principles of good corporate governance, which requires the conducting business in an honest and transparent fashion. Consequently Khâi-MA is committed to fighting fraudulent behaviour at all levels within the organisation. The Fraud Prevention Plan is premised on the organisations core ethical values driving the business of Khâi-MA, the development of its systems, policies and procedures, interactions with ratepayers, the public and other stakeholders, and even decision-making by individual managers representing the organisation. This means that in practice all departments and other business units of Khâi-MA and even external stakeholders must be guided by the Plan as the point of reference for their conduct in relation to Khâi-MA.

In addition to promoting ethical conduct within Khâi-MA, the Plan is also intended to assist in preventing, detecting, investigating and sanctioning fraud and corruption.

This dynamic document details the steps, which have been, and will continually be taken by Khâi-MA to promote ethical conduct and address fraud and corruption.

The policy of Khâi-MA is zero tolerance to fraud and corruption. In addition, all fraud and corruption will be investigated and followed up by the application of all remedies available within the full extent of the law and the implementation of appropriate prevention and detection controls. These prevention controls include the existing financial and other controls and checking mechanisms as prescribed in the systems, policies and procedures of Khâi-MA.

The efficient application of instructions contained in the policies and procedures of Khâi-MA, is one of the most important duties to be applied by every employee in the execution of their daily tasks.

#### **Human Resources – Employment Practices**

Khâi-MA is committed to developing human resources systems, policies and procedures, which incorporate fraud and corruption prevention practices. There is a risk of poor implementation of its human resource systems, policies and procedures and Khâi-MA undertakes testing thereof during internal audits in which control shortcomings are subsequently addressed.

#### **Discipline**

Khâi-MA will be consistent and efficient in its application of the disciplinary measures. Additional measures, which will be considered include:

# # Chapter 2

- Communication of specific disciplinary standards and forbidden conduct;
- Introducing a system where the application of disciplinary measures is applied consistently;
- Steps for ongoing training of managers in the application of disciplinary measures;
- Where managers are found to be inconsistent and/or inefficient in the application of discipline, Khâi-MA will consider firm action; and
- Publication (within the permissible legal framework) of the outcomes and sanctions of disciplinary actions, including lessons learned. The successful achievement of these initiatives, together with their communication is expected to have a deterrent effect.

## **Financial Systems and Control**

Appropriate finance policies and procedures are also necessary to ensure appropriate internal control over finance management and to limit fraud and corruption risks. The effectiveness of the existing finance policies and procedures will also be tested during the course of internal audits and shortcomings are addressed.

The Council of Khâi-MA must approve an annual budget for Khâi-MA before the start of the financial year. Khâi-MA may only incur expenditure in terms of an approved budget and within limits of the amounts appropriated for the different votes in an approved budget.

## **Procurement**

Further, the MFMA stipulates that the procurement policy of Khâi-MA must at least address the following aspects: the barring of persons from participating in tendering or other bidding processes that

have:

Been convicted of fraud or corruption during the past five years;

Wilfully neglected, reneged on or failed to comply with government contract

during the past five years; and

Whose tax matters are not cleared by SARS

In order to fulfil its housing role, Khâi-MA must carry out the following functions:

- Health and Safety: ensure that conditions not conducive to health and safety of the inhabitants of its areas of jurisdiction are prevented or removed;
- Efficient Services: ensure that services in respect of water, sanitation, electricity, roads, stormwater drainage and transport are provided in a manner that is economically efficient;
- Housing Delivery Goals: set housing delivery goals in respect of its area of

# # Chapter 2

jurisdiction;

- Land for Housing: identify and designate land for housing development;
- Public Environment: create and maintain a public environment conducive to housing development which is financially and socially viable;
- Conflict Resolution: promote the resolution of conflicts arising in the housing development process;
- Bulk and Revenue Generating Services: provide bulk engineering services, and

Revenue generating services in so far as specialist utility suppliers do not provide such services;

- Land Use: plan and manage land use and development; and
- Housing Development: initiate, plan, co-ordinate, facilitate, promote and enable appropriate housing development in its area of jurisdiction.

## **Risk Management and Assessment**

In order to identify and address risks facing Khâi-MA, a risk assessment will be performed on an annual basis. This process will be complimented by the specific identification of existing controls to mitigate risks identified. Additional actions to further mitigate these risks will culminate in a risk management plan. Presentations to employees of Khâi-MA will be conducted in order to ensure that they have a more detailed understanding of the fraud and corruption risks facing Khâi-MA and the areas wherein these risks exist, thus enhancing the prospect of detecting irregularities earlier.

## **Internal and External Audit**

The MFMA stipulates that a Municipality must maintain a system of internal audit under the control and direction of an audit committee. Furthermore, the internal audit function of Khâi-MA is required to report on matters relating to:

- Internal Control;
- Accounting procedures and practices;
- Risk and risk management;
- Loss control; and
- Compliance with applicable legislation.

Khâi-MA created an Internal Audit Unit, that only consist of one (1) official, which include anti-corruption capacity under the guidance of an Audit Committee. This Municipality does not have an Audit Committee due the financial implications and lack of capacity.

## **Physical and Information Security**

### ***Physical Security***

Khâi-MA's main physical security threat arises in the area of control over its physical assets, facilities and employees. Security personnel and access systems are deployed to mitigate this threat. However, control over security personnel and access systems should continuously be reviewed for adequacy.

Furthermore, Khâi-MA will continue to pursue steps to ensure adequate security over its people, confidential information and information systems.

Khâi-MA will ensure that all employees are sensitised on a regular basis to the fraud and corruption risks associated with information security and the utilisation of computer resources, in particular – access control, and ensure that systems are developed to limit the risk of manipulation of computerised data.

Regular communiqués will be forwarded to employees pointing out security policies, with a particular emphasis on e-mail and Internet usage and the implications (e.g. disciplinary action) of abusing these and other computer related facilities. Where employees are found to have infringed on prevailing policy in this regard, disciplinary action will be taken.

## **Reporting and Monitoring of fraud and corruption**

### ***Reporting Channels***

The reporting channels for unethical conduct, fraud and corruption impacting Khâi-MA are the following:

- All allegations of fraud and corruption should be reported by employees to their immediate managers;
- If there is a concern that the immediate manager is involved, the report must be made to any other member of management, the Municipal Manager and/or the Chairperson of the Audit Committee;
- All managers should report all allegations to the Municipal Manager who will initiate an investigation; and
- Should an employee wish to make a report anonymously, such a report may be made to any member of management, the Municipal Manager, the Chairperson of the Audit Committee and / or the Mayor.

### **Implementation structure**

Khâi-MA will consider the establishment of a Fraud Prevention Committee whose responsibility will include the implementation of the Plan. This Committee will include champions from all faculties and other business units. The terms of reference of this team will include the following in relation to the Plan:

- Securing buy-in from all stakeholders;

# # Chapter 2

- Information sharing;
- Ongoing identification of weaknesses in systems and solutions;
- Creating awareness and ensuring adequate training and education to promote the Plan; and
- Assessing progress and ongoing maintenance and review.

T2.7.1

## 2.8 SUPPLY CHAIN MANAGEMENT

### OVERVIEW SUPPLY CHAIN MANAGEMENT

Note: MFMA S110-119; SCM Regulations 2005; and relevant MFMA circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption.

#### Range of procurement processes

- (1) **Goods and services may only be procured by way of –**
  - (a) No petty cash transaction allowed;
  - (b) written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included);
  - (c) formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included); and
  - (d) a competitive bidding process for–
    - (i) procurements above a transaction value of R200 000 (VAT included); and
    - (ii) the procurement of long term contracts (Referred to in section 5) .
- (2) **The accounting officer may, in writing-**
  - (a) lower, but not increase, the different threshold values specified in subparagraph (1); or
  - (b) direct that –
    - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;
    - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
  - (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.
- (3) **Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy.**

When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

# # Chapter 2

Bid adjudication was not done by a committee which was composed in accordance with municipal supply chain management, regulation 29(2).

Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by municipal supply chain management, regulation 43.

Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by municipal supply chain management, regulation 13(c).



# # Chapter 2

## 2.9 BY-LAWS

By-laws Introduced during Year 1					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
Advertisement Signs	No	No	N/A	No	N/A
Antenna System	No	No	N/A	No	N/A
Graveyard	No	No	N/A	No	N/A
Control of Keeping Dogs	No	No	N/A	No	N/A
Control of Animals, Poultry & Bees	No	No	N/A	No	N/A
Control of Street Trading	No	No	N/A	No	N/A
Building Control	No	No	N/A	No	N/A
Fire Brigade	No	No	N/A	No	N/A
Electricity	No	No	N/A	No	N/A
Caravan Park	No	No	N/A	No	N/A
Municipal Commonage	No	No	N/A	No	N/A
Rules of Procedure	No	No	N/A	No	N/A
Debt Collection	No	No	N/A	No	N/A
Standing Orders	No	No	N/A	No	N/A
Taxi Ranks	No	No	N/A	No	N/A
Garbage	No	No	N/A	No	N/A
Fireworks	No	No	N/A	No	N/A
Water Supply	No	No	N/A	No	N/A
Law Enforcement	No	No	N/A	No	N/A

### COMMENT ON BY-LAWS:

Note: MSA 2000 S11 (3) (m) provides municipal councils with the legislative authority to pass and implement by-laws for the betterment of the community within the terms of the legislation.

Consultant was appointed to compile By-Laws, draft By-Laws not yet tabled by Council and no public participation has take place.

T2.9.1.1

# # Chapter 2

## 2.10 WEBSITES

Municipal Website : Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	No	N/A
All current budget-related policies	No	N/A
The previous annual report (Year 0)	No	N/A
The annual report (Year 1) published/to be published	No	N/A
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 1) and resulting scorecards	No	N/A
All service delivery agreements (Year 1)	No	N/A
All long-term borrowing contracts (Year 1)	No	N/A
All supply chain management contracts above a prescribed value (give value) for Year 1	No	N/A
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No	N/A
Contracts agreed in Year 1 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	N/A
Public-private partnership agreements referred to in section 120 made in Year 1	No	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during Year 1		N/A
<i>Note: MFMA S75 sets out the information that a municipality must include in its website as detailed above. Municipalities are, of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments.</i>		N/A

### COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

Khâi-Ma has no website. Assistance were requested from Provincial Treasury for the establishment of a website.

# # Chapter 2

## 2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

### PUBLIC SATISFCATION LEVELS

**Delete Directive note once comment is complete** - Provide a brief overview of public satisfaction with municipal service delivery.

T2.11.1

Satisfaction Surveys Undertaken during: Year 0 and Year 1				
Subject matter of survey	Survey method	Survey date	No of people included in survey	Survey results indicating satisfaction or better (%) *
<b>Overall satisfaction with:</b>				
(a) Municipality	No surveys	n/a	n/a	n/a
(b) Municipal Service Delivery	No surveys	n/a	n/a	n/a
(c) Mayor	No surveys	n/a	n/a	n/a
<b>Satisfaction with:</b>	No surveys	n/a	n/a	n/a
(a) Refuse Collection	No surveys	n/a	n/a	n/a
(b) Road Maintenance	No surveys	n/a	n/a	n/a
(c) Electricity Supply	No surveys	n/a	n/a	n/a
(d) Water Supply	No surveys	n/a	n/a	n/a
(e) Information supplied by municipality to the public	No surveys	n/a	n/a	n/a
(f) Opportunities for consultation on municipal affairs	No surveys	n/a	n/a	n/a
* The percentage indicates the proportion of those surveyed that believed that relevant performance was at least satisfactory				T2.11.2

### COMMENT ON SATISFACTION LEVELS:

No surveys was conducted .

T2.11.2.2

# Chapter 3

## CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

### INTRODUCTION

#### VISION

“To improve the living standards and circumstances of residents with its limited resources, to ensure health and safety and to strengthen the local economy by creating an environment conducive to investment”

#### MISSION

“It is Khâi-Ma Municipality’s mission to ensure affordable service delivery and sustainable economic development through good and transparent municipal governance and aggressive application of the Batho Pele Principles”.

#### STRATEGIC OBJECTIVES

##### Main objectives

- Provision of sustainable services to the inhabitants and maintain existing resources;
- Develop Khâi-MA Municipality as institution through transformation and capacity building
- Promotion of local economic development through poverty alleviation, job creation, empowerment of the previous disadvantage people with capacity building in business skills and establishment of a climate for investment.
- Promote Sound financial management and Viability

##### Priorities

- Services Delivery
- Institutional Development and Transformation
- Local Economic Development
- Financial management and Viability
- Good Governance and Public Participation

# Chapter 3

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## COMPONENT A: BASIC SERVICES

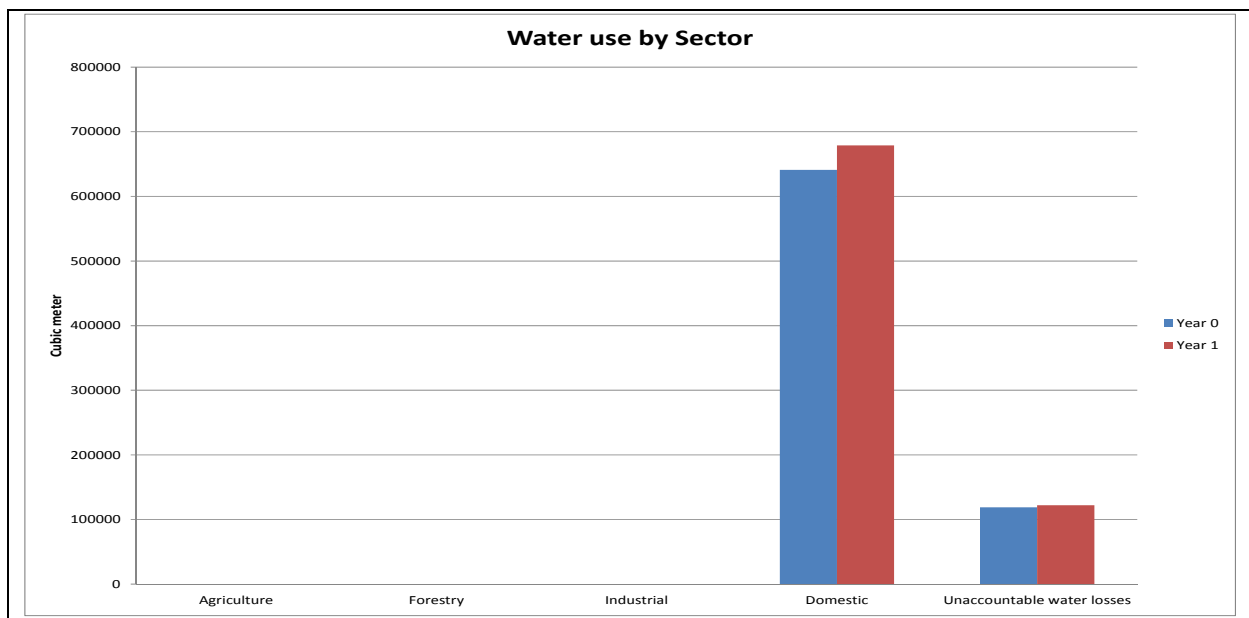
This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

### 3.1. WATER PROVISION

#### INTRODUCTION TO WATER PROVISION

Note: Recent legislation includes the Water Services Act 1997 and the General Enabling Act 2005

Total Use of Water by Sector (cubic meters)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
Year 0	0	0	0	640920	118826
Year 1	0	0	0	678783	122141
					T3.1.2



# Chapter 3

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## COMMENT ON WATER USE BY SECTOR:

The household water demand is significantly higher than the businesses. The household demand increased significantly over the past two year due to climate change and more houses being built.

T3.1.2.2

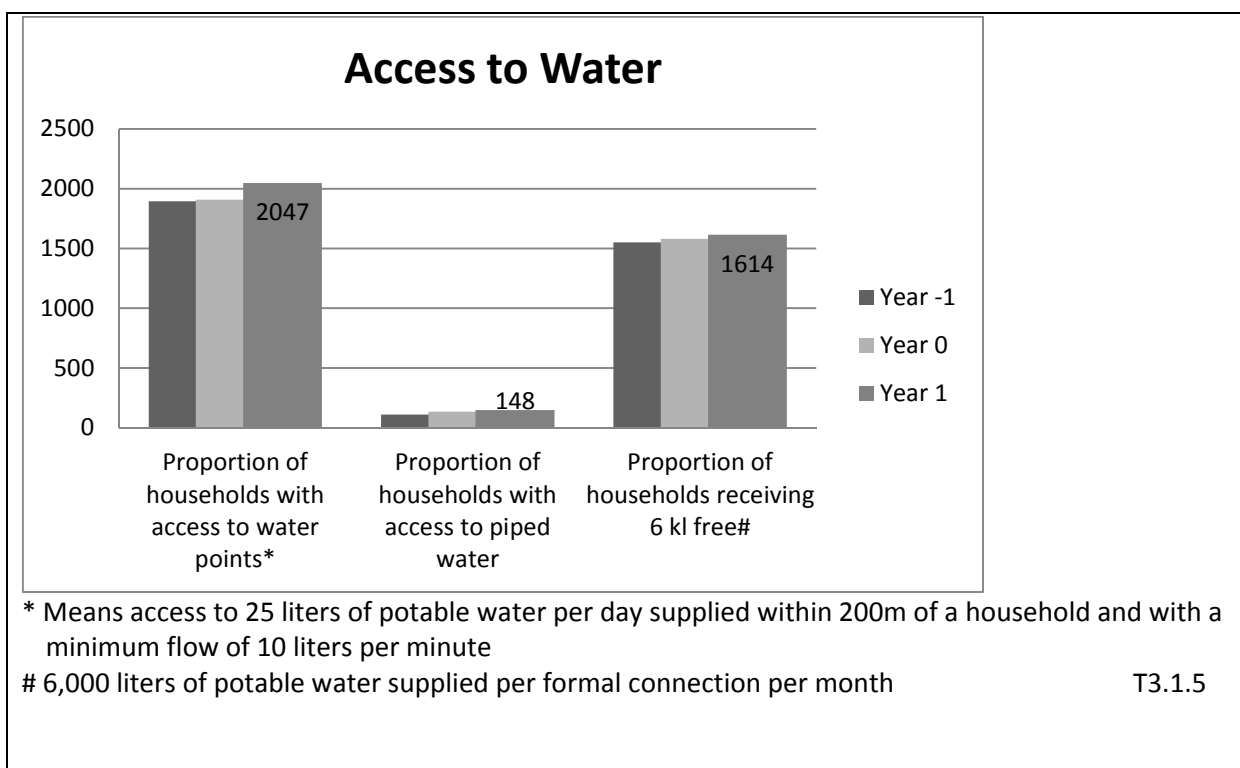
Water Service Delivery Levels				
Description	Year -2	Year -1	Year 0	Households Year 1
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
<b><u>Water:</u> (above min level)</b>				
Piped water inside dwelling	1 299	1 313	1 323	1 418
Piped water inside yard (but not in dwelling)	557	562	567	607
Using public tap (within 200m from dwelling )	3	3	3	2
Other water supply (within 200m)				
<i>Minimum Service Level and Above sub-total</i>	1 859	1 878	1 893	2 027
<i>Minimum Service Level and Above Percentage</i>	99%	99%	99%	99%
<b><u>Water:</u> (below min level)</b>				
Using public tap (more than 200m from dwelling)	5	5	6	7
Other water supply (more than 200m from dwelling)				
No water supply				
<i>Below Minimum Service Level sub-total</i>	15	17	15	20
<i>Below Minimum Service Level Percentage</i>	1%	1%	1%	1%
<b>Total number of households*</b>	<b>1 874</b>	<b>1 895</b>	<b>1 908</b>	<b>2 047</b>
<b>* - To include informal settlements</b>				T3.1.3

# Chapter 3

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Households - Water Service Delivery Levels below the minimum						
Description	Year -2	Year -1	Year 0	Year 1		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
<b>Formal Settlements</b>						
Total households	41	50	61	72	73	73
Households below minimum service level	33	35	41	55	55	54
Proportion of households below minimum service level	80%	70%	67%	76%	75%	74%
<b>Informal Settlements</b>						
Total households	50	61	72	72	72	75
Households ts below minimum service level	15	17	15	20	20	22
Proportion of households ts below minimum service level	30%	28%	21%	28%	28%	29%
						<b>T3.1.4</b>



# Chapter 3

Water Service Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i> (i)	Outline Service Targets (ii)	Year 0		Year 1		Year 2	Year 4		
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
Households without minimum water supply	Additional Households provided with minimum water supply during the year (Number of households (HHs) without supply at year end)	50 additional HHs (30 HHs outstanding)	65 additional HHs (45 HHs outstanding)	71 additional HHs (58 HHs outstanding)	85 additional HHs (77 HHs outstanding)	90 additional HHs (81 HHs outstanding)	95 additional HHs (87 HHs outstanding)	99 additional HHs (88 HHs outstanding)	106 additional HHs (91 HHs outstanding)
Improve reliability of water supply	Reduce the number of interruptions (Ints) in supply of one hour or more compared to the baseline of Year 0 (30 interruptions of one hour or more during the yr)	T 0% (73 Ints)	A 97% 71 Ints)	T 81% (58 Ints)	T 72 % (51 Ints)	A 74% (53 Ints)	T 72% (51 Ints)	T 60% (43 Ints)	T 56% (40 Ints)
Improve water conservation	Reduce unaccountable water levels compared to the baseline of Year 0 (xxx kilolitres (KLs) unaccounted for during the yr)	T <sub>0</sub> % (111142 KLs)	A <sub>0</sub> % (122141 KLs)	T95% (116034 KLs)	T91% (111393 KLs)	A87% (105823 KLs)	T82% (100532 KLs)	T78% (95505 KLs)	T74% (90730KLs)
<i>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year 0 Budget/IDP round; * 'Current Year' refers to the targets set in the Year 1 Budget/IDP round. * 'Following Year' refers to the targets set in the Year 2 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.</i>									
									T3.1.6



# Chapter 3

Employees: Water Services					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3					
4 - 6	4	4	4	0	0%
7 - 9					
10 - 12					
13 - 15					
16 - 18					
19 - 20					
Total	4	4	4	0	0%
<i>Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</i>					
T3.1.7					

Capital Expenditure Year 1: Water Services					
R' 000					
Capital Projects	Year 1				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	5928	5928	1904	-211%	
Pofadder Bulk Water Supply	5928	5928	1904	-211%	12000
Project B					
Project C					
Project D					
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T3.1.9

## COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

The Pofadder bulk water pipeline was replaced during the 2010/2011 and 2011/2012 financial years. The capital cost was +- R11 million. Two villages in the municipal area still have water shortages and the need must be addressed during next financial year.

# Chapter 3

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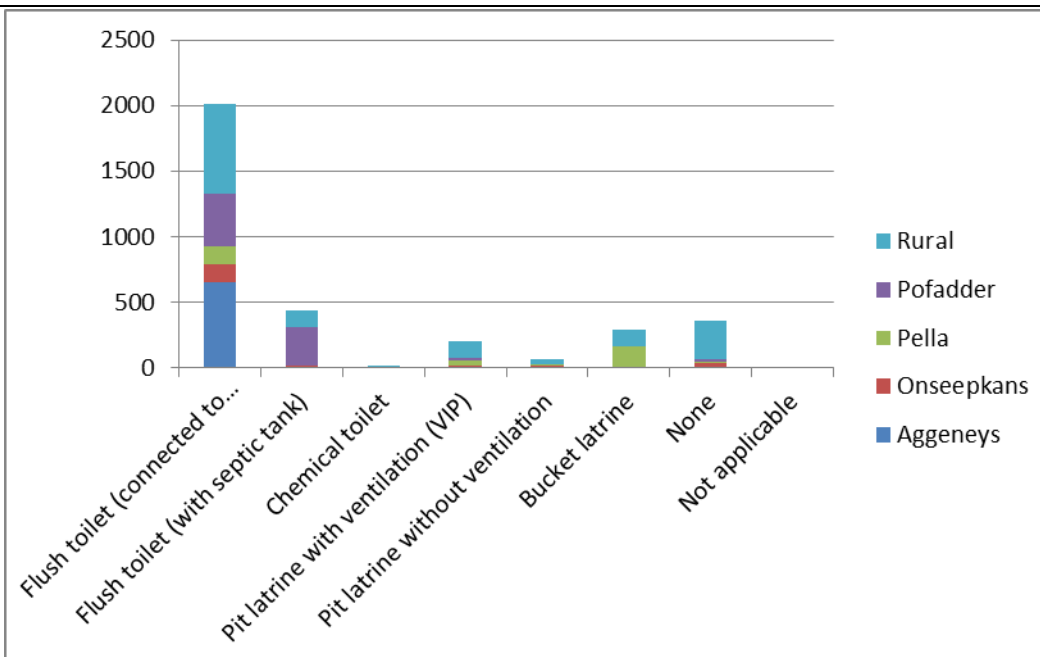
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## 3.2 WASTE WATER (SANITATION) PROVISION

### INTRODUCTION TO SANITATION PROVISION

Services are rendered in all towns except Aggeneys. Consumer make use of septic tanks in case where a sewerage system is not available.

T3.2.1



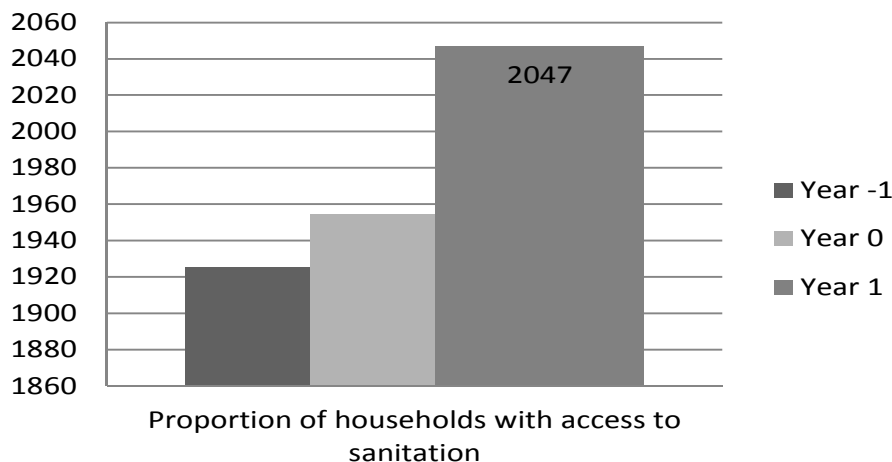
# Chapter 3

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Sanitation Service Delivery Levels				
Description	Year -2	Year -1	Year 0	Year 1
	Outcome	Outcome	Outcome	Actual
	No.	No.	No.	No.
<b><u>Sanitation/sewerage: (above minimum level)</u></b>				
Flush toilet (connected to sewerage)	1 281	1 295	1 301	1 360
Flush toilet (with septic tank)	401	420	428	431
Chemical toilet	-	-	-	-
Pit toilet (ventilated)	124	135	103	199
Other toilet provisions (above min.service level)				
<i>Minimum Service Level and Above sub-total</i>	1 806	1 850	1 832	1 990
<i>Minimum Service Level and Above Percentage</i>	95.7%	96.1%	96.3%	97.2%
<b><u>Sanitation/sewerage: (below minimum level)</u></b>				
Bucket toilet				
Other toilet provisions (below min.service level)	81	75	70	57
No toilet provisions				
<i>Below Minimum Service Level sub-total</i>	81	75	70	57
<i>Below Minimum Service Level Percentage</i>	4.3%	3.9%	3.7%	2.8%
<b>Total households</b>	<b>1 887</b>	<b>1 925</b>	<b>1 902</b>	<b>2 047</b>
<i>*Total number of households including informal settlements</i>				<b>T3.2.3</b>

## Access to Sanitation



COMMENT: The pressure on municipal vehicles to deliver the services causing breakages. Sometimes vehicles are not available to deliver the service.

T3.2.5

# Chapter 3

Waste Water (Sanitation) Service Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i> (i)	Outline Service Targets  (ii)	Year 0		Year 1			Year 2	Year 4	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
Provision of toilets within standard	Additional Households (HHs) provided with minimum sanitation during the year (Number of HHs remaining without minimum sanitation at year end)	1806 additional HHs (81 HHs remaining)	1856 additional HHs (75 HHs remaining)	1884 additional HHs (70 HHs remaining)	1990 additional HHs (57 HHs remaining)	1990 additional HHs (57 HHs remaining)	2089 additional HHs (54 HHs remaining)	2151 additional HHs (42 HHs remaining)	2215 additional HHs (31 HHs remaining)
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year 0 Budget/IDP round; *'Current Year' refers to the targets set in the Year 1 Budget/IDP round. *'Following Year' refers to the targets set in the Year 2 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									T3.2.6

# Chapter 3

Employees: Sanitation Services					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	4	4	4	1	25%
4 - 6	2	2	2	0	0%
7 - 9					
10 - 12					
13 - 15					
16 - 18					
19 - 20					
Total	6	6	6	1	0.25

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

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Financial Performance Year 1: Sanitation Services					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	724	666	686	756	12%
<b>Expenditure:</b>					
Employees	688	937	856	1087	14%
Repairs and Maintenance	24	16	16	16	0%
Other	1258	1356	1498	1598	15%
<b>Total Operational Expenditure</b>	1970	2309	2370	2701	15%
<b>Net Operational Expenditure</b>	1246	1643	1684	1945	16%
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T3.2.8

# Chapter 3

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## 3.3 ELECTRICITY

### INTRODUCTION TO ELECTRICITY

Electricity services are rendered in all towns except Witbank. ESKOM provide services in Aggeneys, Pella and Onseepkans with the exception of Pofadder. The electricity infrastructure in Pofadder is obsolete and must be replaced. Funding is received from the Integrated National Electrification Program to upgrade the substation in Pofadder during the 2012/2013 financial year. Problems are encountered with the infrastructure networks in Onseepkans and should be addressed by ESKOM.

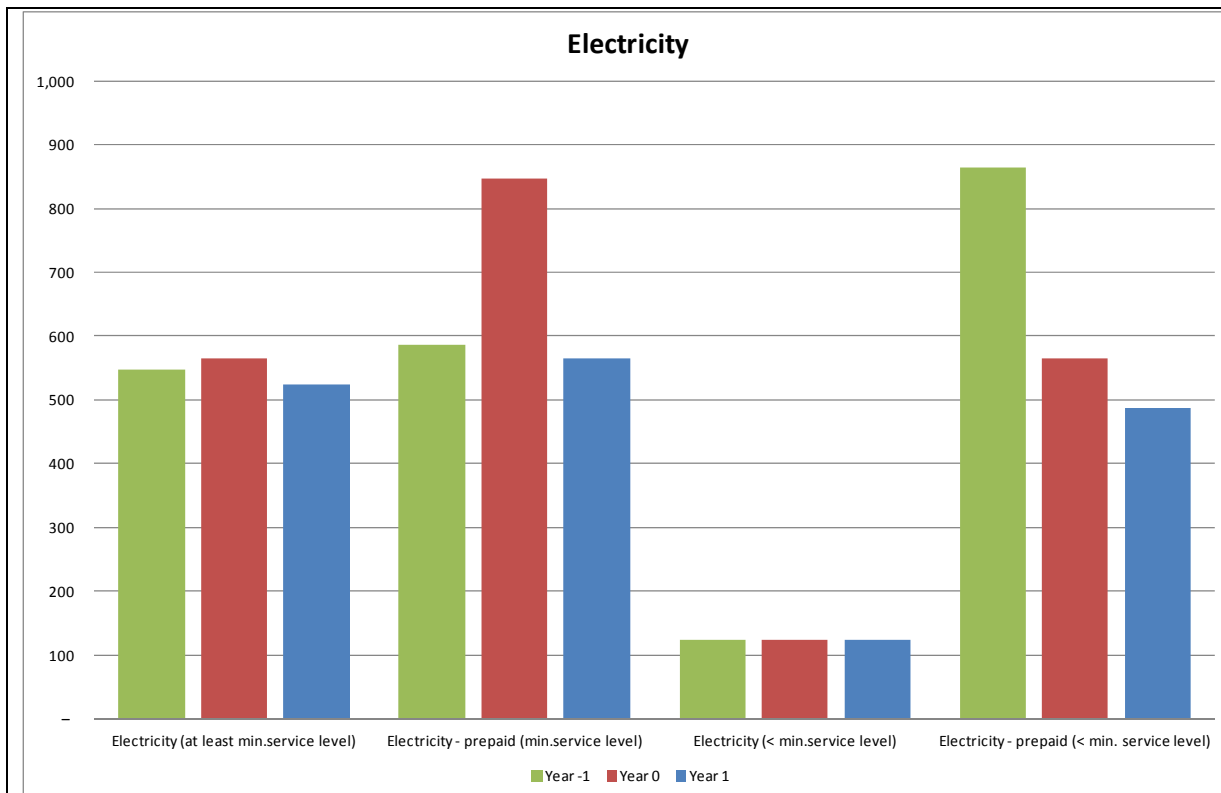
Note: Recent legislation includes the Electricity Amendment Acts 1989; 1994; 1995; and the Electricity Regulation Act 2006.

T3.3.1

# Chapter 3

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T3.3.2



# Chapter 3

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Electricity Service Delivery Levels				
Description	Year -2	Year -1	Year 0	Households Year 1
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
<b><u>Energy:</u></b> (above minimum level)				
Electricity (at least min.service level)	1 805	1 850	1 890	1 900
Electricity - prepaid (min.service level)				
<i>Minimum Service Level and Above sub-total</i>	1 805	1 850	1 890	1 900
<i>Minimum Service Level and Above Percentage</i>	95.5%	94.3%	93.9%	92.8%
<b><u>Energy:</u></b> (below minimum level)				
Electricity (< min.service level)				
Electricity - prepaid (< min. service level)	85	112	123	147
Other energy sources				
<i>Below Minimum Service Level sub-total</i>	85	112	123	147
<i>Below Minimum Service Level Percentage</i>	4.5%	5.7%	6.1%	7.2%
<b>Total number of households</b>	1 890	1 962	2 013	2 047
				<b>T3.3.3</b>

# Chapter 3

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Electricity Service Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i> (i)	Outline Service Targets (ii)	Year 0		Year 1			Year 2	Year 4	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
Provision of minimum supply of electricity	Additional households (HHs) provided with minimum supply during the year (Number of HHs below minimum supply level)	1805 additional HHs (85 HHs below minimum)	1850 additional HHs (xxxxxx 112 HHs below minimum)	1890 additional HHs (xxxxxx 123 HHs below minimum)	1900 additional HHs (147 HHs below minimum)	1900 additional HHs ( 147 HHs below minimum)	1995 additional HHs (131 HHs below minimum)	2054 additional HHs (91 HHs below minimum)	2095 additional HHs (57 HHs below minimum)
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year 0 Budget/IDP round; * 'Current Year' refers to the targets set in the Year 1 Budget/IDP round. * 'Following Year' refers to the targets set in the Year 2 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									T3.3.5

# Chapter 3

Financial Performance Year 1: Electricity Services					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	3404	4041	4041	3964	-2%
Expenditure:					
Employees	145	346	222	167	-107%
Repairs and Maintenance	66	100	99	105	5%
Other	3342	3811	3955	4240	10%
<b>Total Operational Expenditure</b>	3553	4257	4276	4512	6%
<b>Net Operational Expenditure</b>	149	216	235	548	61%
<i>Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T3.3.7

# Chapter 3

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Capital Expenditure Year 1: Electricity Services					
R' 000					
Capital Projects	Year 1				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
Project A					
Project B					
Project C					
Project D					
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T3.3.8

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# Chapter 3

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## 3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

### INTRODUCTION TO WASTE MANAGEMENT

Refuse removal services are rendered in all towns except Aggeneys. Garbage should be removed once a week. Three of the four landfill sites are not registered. Funds are allocated from the Namakwa District Municipality to rehabilitated the landfill site situated in Pofadder during 2012/2013. All the other landfill sites needs to be rehabilitated.

Solid Waste Service Delivery Levels				
Description	Year -2	Year -1	Year 0	Households Year 1
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
<b><u>Solid Waste Removal:</u> (Minimum level)</b>				
Removed at least once a week	1 554	1 554	1 548	1 697
<i>Minimum Service Level and Above sub-total</i>	1 554	1 554	1 548	1 697
<i>Minimum Service Level and Above percentage</i>	82.9%	82.0%	81.8%	82.9%
<b><u>Solid Waste Removal:</u> (Below minimum level)</b>				
Removed less frequently than once a week	320	341	345	350
Using communal refuse dump				
Using own refuse dump				
Other rubbish disposal				
No rubbish disposal				
<i>Below Minimum Service Level sub-total</i>	320	341	345	350
<i>Below Minimum Service Level percentage</i>	17.1%	18.0%	18.2%	17.1%
<b>Total number of households</b>	<b>1 874</b>	<b>1 895</b>	<b>1 893</b>	<b>2 047</b>
				<b>T3.4.2</b>

# Chapter 3

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Waste Management Service Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets  (ii)	Year 0		Year 1			Year 2	Year 4	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
Provision of weekly collection service per household (HH)	Propotionate reduction in average weekly collection failures year on year (average number of collection failures each week)	12 weekly collection failures	1 % reduction from 2009/2010 (12 weekly collection failures)	1 % reduction from 2009/2010 (12 weekly collection failures)	1% reduction from 2011/2012 (12 weekly collection failures)	1% reduction from 2011/2012 (12 weekly collection failures)	1% reduction from 2012/2013 (12 weekly collection failures)	1% reduction from 2012/2013 (12 weekly collection failures)	%1 reduction from 2013/2014 (12 weekly collection failures)
Future capacity of existing and earmarked (approved use and in council possession) waste disposal sites	The amount of spare capacity available in terms of the number of years capacity available at the current rate of landfill usage	To years of unused landfill capacity available	A0 years of unused landfill capacity available	T1 years of unused landfill capacity available	T1 years of unused landfill capacity available	A1 years of unused landfill capacity available	T2 years of unused landfill capacity available	T5 years of unused landfill capacity available	T5 years of unused landfill capacity available
Proportion of landfill sites in compliance with the Enviromental Conservation Act 1989.	80% of landfill sites by volume that are being managed in compliance with the Enviromental Conservation Act 1989.	T80% of sites compliant	A80% of sites compliant	T80% of sites compliant	T80% of sites compliant	A80% of sites compliant	T80% of sites compliant	T80%of sites compliant	T80% of sites compliant
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year 0 Budget/IDP round; * 'Current Year' refers to the targets set in the Year 1 Budget/IDP round. * 'Following Year' refers to the targets set in the Year 2 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									

T3.4.4

# Chapter 3

Employees: Waste Disposal and Other Services					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3					
4 - 6	6	6	6	2	33%
7 - 9					
10 - 12					
13 - 15					
16 - 18					
19 - 20					
Total	6	6	6	2	33%
<p><i>Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.</i></p> <p><i>*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</i></p>					

T3.4.6

Financial Performance Year 1: Solid Waste Management Services					
					R'000
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
<b>Total Operational Expenditure</b>	195	732	750	744	2%
<b>Net Operational Expenditure</b>	75	607	650	649	6%
<p><i>Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i></p>					T3.4.7

# Chapter 3

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Financial Performance Year 1: Solid Waste Management Services					
R'000					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	492	571	1523	1255	55%
Expenditure:					
Employees	618	922	942	1093	16%
Repairs and Maintenance		15	15	3	-400%
Other	838	1089	2402	2044	47%
<b>Total Operational Expenditure</b>	1456	2026	3359	3140	35%
<b>Net Operational Expenditure</b>	964	1455	1836	1885	23%
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T3.4.7

Capital Expenditure Year 1: Waste Management Services					
R' 000					
Capital Projects	Year 1				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
Project A					
Project B					
Project C					
Project D					
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T3.4.9



# Chapter 3

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## INTRODUCTION OF HOUSING

Percentage of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
Year -2			#DIV/0!
Year -1			#DIV/0!
Year 0			#DIV/0!
Year 1			#DIV/0!
			T3.5.2

# Chapter 3

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# Chapter 3

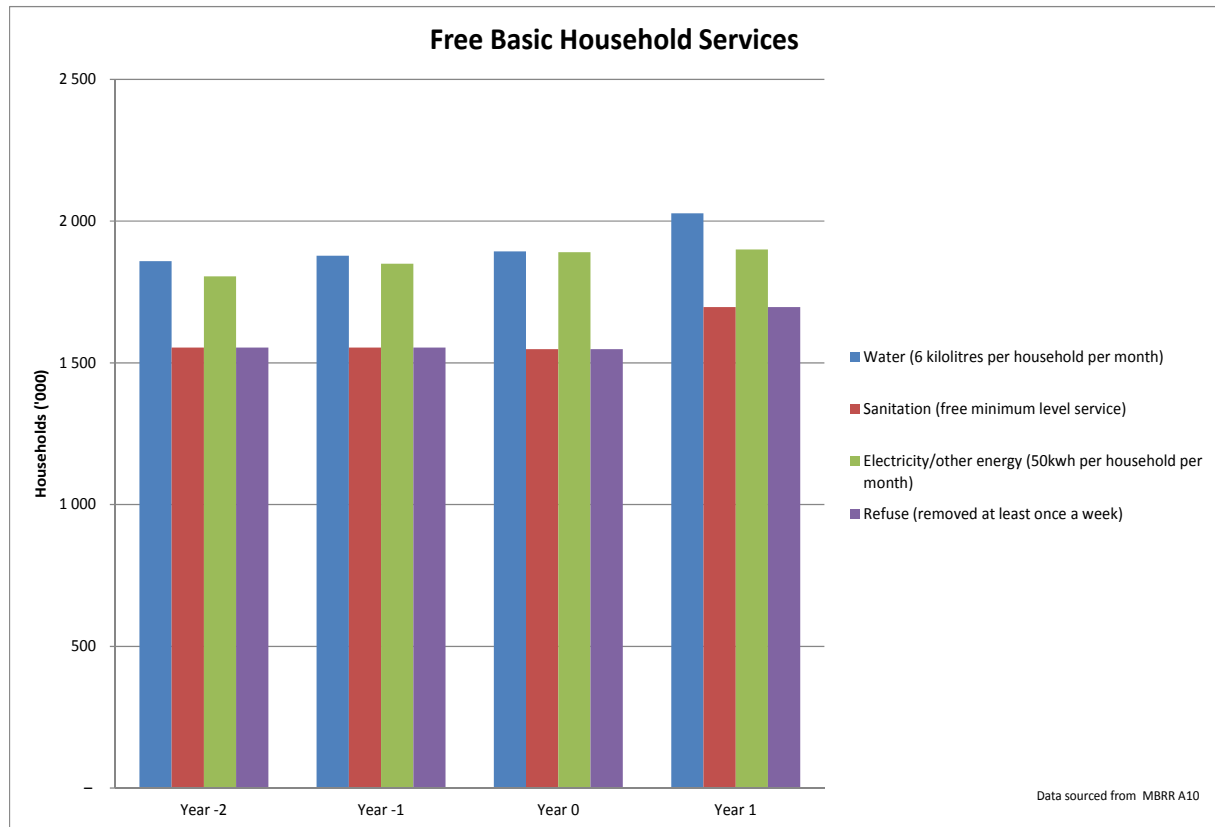
Financial Performance Year 1: Housing Services					
R'000					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	7815	1160	1160	6575	82%
Expenditure:					
Employees					#DIV/0!
Repairs and Maintenance					#DIV/0!
Other	5828	1160	1160	7310	84%
<b>Total Operational Expenditure</b>	5828	1160	1160	7310	84%
<b>Net Operational Expenditure</b>	1987	0	0	-735	100%
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T3.5.5

# Chapter 3

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## 3.6 FREE BASIC SERVICES AND INDIGENT S



### SUPPORT

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than R1,100 per month								
		Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse		
		Total	Access	%	Access	%	Access	%	Access	%
Year -1	1 970	1 970	1 550	79%	1 550	79%	1 482	75%	1 590	81%
Year 0	1 991	1 991	1 580	79%	1 580	79%	1 490	75%	1 595	80%
Year 1	2 047	2 047	1 614	79%	1 617	79%	1 801	88%	1 969	96%
T3.6.3										

# Chapter 3

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Financial Performance Year 1: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	Year 0	Year 1 R,000			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	3165	2173	2173	1604	-35%
Waste Water (Sanitation)	1049	1230	1230	1162	-6%
Electricity	575	780	780	657	-19%
Waste Management (Solid Waste)	1082	1223	1223	1202	-2%
Total	5871	5406	5406	4625	-17%
					T3.6.4

# Chapter 3

## COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

Indigence policy 2011/2012 financial year

1. Based on the level of poverty, the number of households that qualify for basic free services and the amount to be appropriated for the purpose of indigence policy is as follows:

a. Households classified as indigent / needy where the total gross income of the residents of a household over the age of 18 years and parent's income is less than or equal than the income that two state pension together earned (monthly pensions and social allowances paid by the Department of Welfare, etc..) qualify for 100% subsidy on basic services viz. Garbage, Sanitation, Water plus 6kl water free and 50 kwh electricity as prescribed nationally.

b. Households who believe that they qualify must register with the local Municipal Office or the nearest office of the Municipal Council area. A list of the connection are available at the office.

c. Free 6 kl of water will be provided to each poor household. If the 6 kl limit is exceeded the difference must be paid by the consumer. If a household continue not to pay the difference in the Council shall have the right to limit the flow of water.

d. Traps will not be installed at public taps.

e. Poor households owning more than one property, only a subsidized property.

MUNICIPAL MANAGER

COUNCIL RESOLUTION 31/05/2013

## COMPONENT B: ROAD TRANSPORT

# Chapter 3

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## 3.7 ROADS

### INTRODUCTION TO ROADS

T3.7.1

Gravel Road Infrastructure				
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
Year -1	24 Km	0	0	24 Km
Year 0	24 Km	0	0	24 Km
Year 1	24 Km	0	0	24 Km
				T3.7.2

Tarred Road Infrastructure					
	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
Year -1	12 Km	0	0	0	12 Km
Year 0	12 Km	0	0	0	12 Km
Year 1	12 Km	0	0	0	12 Km
					T3.7.3

# Chapter 3

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Road Service Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets  (ii)	Year 0		Year 1			Year 2	Year 4	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
Elimination of gravel roads in townships	Kilometers of gravel roads tarred (Kilometers of gravel road remaining)	24 kms gravel roads tarred (0 kms gravel roads remaining)	24 kms gravel roads tarred (0 kms gravel roads remaining)	24 kms gravel roads tarred (0 kms gravel roads remaining)	24 kms gravel roads tarred (0 kms gravel roads remaining)	24 kms gravel roads tarred (0 kms gravel roads remaining)	Baseline (24 kms gravel roads remaining)	4 kms gravel roads tarred (20 kms gravel roads remaining)	4 kms gravel roads tarred (16 kms gravel roads remaining)
Development of municipal roads as required	12 kms of municipal roads developed	12 kms	12 kms	12 kms	12 kms	12 kms	12 kms	12 kms	12 kms
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year 0 Budget/IDP round; * 'Current Year' refers to the targets set in the Year 1 Budget/IDP round. * 'Following Year' refers to the targets set in the Year 2 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									

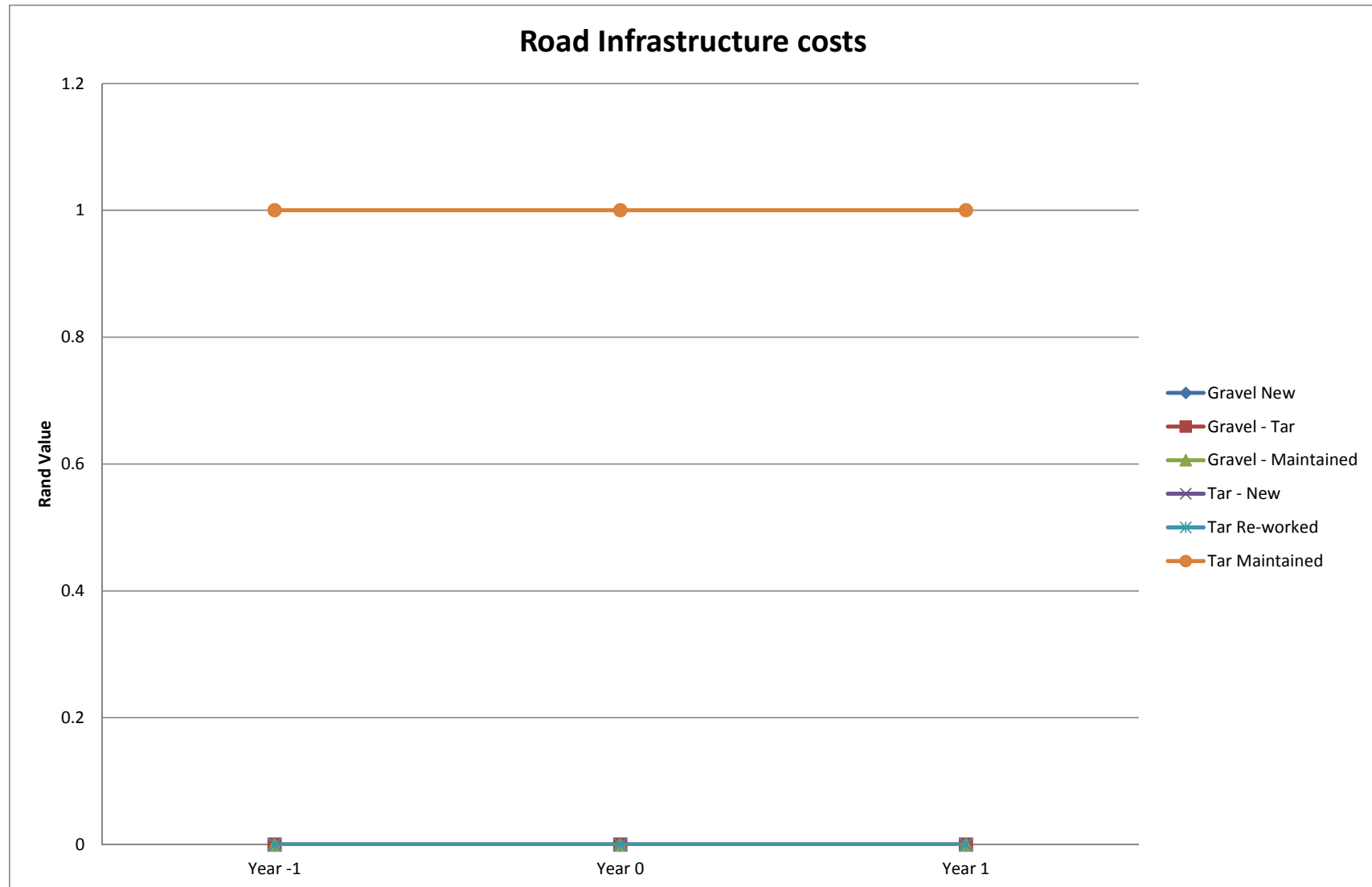
T3.7.6



# Chapter 3

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# Chapter 3

Employees: Road Services					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	3	3	0	0%
4 - 6	1	1	1	0	0%
7 - 9					
10 - 12					
13 - 15					
16 - 18					
19 - 20					
Total	4	4	4	0	0%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.  
 \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T3.7.7

R'000					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	679	456	1126	333	-37%
Expenditure:					
Employees	241	309	323	343	10%
Repairs and Maintenance	1	15	9	1	-1400%
Other	414	481	1018	525	8%
<b>Total Operational Expenditure</b>	656	805	1350	869	7%
<b>Net Operational Expenditure</b>	-23	349	224	536	35%

Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T3.7.8

# Chapter 3

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Capital Expenditure Year 1: Road Services					
R' 000					
Capital Projects	Year 1				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All				#DIV/0!	
Project A				#DIV/0!	
Project B				#DIV/0!	
Project C				#DIV/0!	
Project D				#DIV/0!	
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T3.7.9

COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

T3.7.10

## COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

### INTRODUCTION TO PLANNING AND DEVELOPMENT

Khâi-Ma Municipality is in the process of developing its Local Economic Development (LED) Strategy. As outlined in the LED Framework it is important to highlight the unique economic and geographical characteristics of the Khâi-Ma Municipality in order to arrive at the final prediction of the economy at local level.

Being located in the centre of the Namakwa District it is further located between the main economic centres of the Northern Cape, i.e. Springbok and Upington. Not only has this location road-transport benefits but it largely present opportunities from trade and retail and further broadens the scope for tourism development.

According to the mentioned LED Framework considerable attention has to be given to the following activities and the development potential of Khâi-Ma Municipality:

- Mineral deposits and mining related development in the area – Mining related legislation also presents other economic opportunities through Social and Labour Plans.

Black Mountain: Is a mining Company and is mining Copper and Iron Ore Originated from Britain, which started mining in Khâi-Ma region in 1994 by a British man: F Dodge

In 1999, F Dodge sells the mining business to Anglo American Plc Group and Anglo Group sell over to Vudanta in 2009.

Current Challenges and Dilemmas for LED in Khâi-Ma

- The shortage of appropriate labour skills in the area is a central constraint to investment and development
- The economic and cash flow situation of the Municipality is under pressure at present. The necessary steps and precautionary measurements should be identified and implemented. The poor payment culture by some Residents contributes to the problem and was analyzed during this phase.
- The LED Unit has only an operational budget available for travelling and accommodation but has not budget for programmes. Main source of LED project funding is through MIG and EPWP funding.
- The LED Forum doesn't exist yet due to the fact that LED Department is not functional but will soon be functional because is broad on the organ gram of the municipality.
- After establishment of the LED Forum, one of their focuses will be to solve functional challenges such as the non-participation of the private sectors and government.

- Municipality still need to develop an LED Policy to ensure that council takes a principle position on how it commits to LED.
- Skills Development Policy should be developed, looking at the Municipality's response to the big skills challenge they face
- Municipality also need to look at other current LED stimulating policies such as the Property Rates Policy and Land Policy

## Public Private Partnerships

According to the MFMA regulations Public Private Partnerships (PPP's) are commercial transactions between a Municipality and a private party in terms of which the private party –

- a) Performs a municipal function for or on behalf of a municipality, or acquired the management or use of municipal property for its own commercial purposes, of performs both a municipal function for or on behalf of a municipality and acquired the management or use of municipal property for its own commercial purposes.
- b) Assumes substantial financial, technical and operational risks in connection with –
  - i) the performance of the municipal function;
  - ii) the management or use of the municipal property; or
  - iii) both; and
- c) Receives a benefit from performing the municipal function, from utilizing the municipal property or from both, by way of –
  - i) consideration to be paid or given by the municipality or a municipal entity under the sole or shared control of the municipality
  - ii) charges or fees to be collected by the private party from users or customers of a service provided to them; or
  - iii) a combination

Strategically, partnership contracts enhance accountability by clarifying responsibilities and focusing on the key deliverables of a service. Our managerial efficiency can benefit significantly as existing financial, human and management resources can be refocused on strategic functions.

## LED Opportunities in Khâi-Ma:

### Agriculture

- Involve local farmers in LED Forum
- Invite Ornamental Plant Institute of the ARC to provide information and assistance to local farmers
- Make land available for agricultural cooperatives and emerging farmers
- Establish informal trading areas for agricultural produce

# Chapter 3

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- Provide skills training and support programmes. Investigate the role of Agri-SETA

## Mining

- Establish a permanent working group between the Municipality and the mine managers responsible for developing Plans
- Develop a database of available labour and skills to encourage the employment of local people
- Provide skills training and support programmes
- Instigate mining procurement opportunities in consultation with the mines, develop a database of such opportunities and ensure that this information is made available to local businesses and communities
- Develop a small scale Mining Strategy

## Tourism

- The Municipality should develop and implement an aggressive marketing strategy
- Tourism opportunities should be packed and marketed accordingly
- New Tourism Opportunities should be explored and communicated through the LED forum

## Community Participation

Community involvement in the planning process is a priority for the Municipality. The Constitution of Republic of South African (Act No. 108 of 1986) brought about a new expanded role for municipalities. According to the Department of Constitutional Development (1998:3), “municipalities must now lead, manage and plan for development, their task together with national and provincial government is to eradicate poverty, boost local economic development, job creation, and carry forward the process of reconstruction and development”.

Consequently, local communities are to be involved in decision-making processes of local government. Hence community participation in local government is important. When proper community participation does not occur, and IDP is not properly implemented, development of the local economy may be negatively affected.

T3.10.0

# Chapter 3

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## COMPONENT D: COMMUNITY & SOCIAL SERVICES

### INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

T3.52.0

#### 3.52 LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC.)

##### INTRODUCTION TO LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES

In each town, which consist out of Pofadder, Aggeneys, Pella, Onseepkans, is a library except Witbank, of which the project is still in process.

The Department of Sport, Arts and Culture give funding for the development and transformation of libraries.

The available funds are to be made available for the following purposes:

Improving staff capacity (Library Transformation Programme) at the community libraries in the municipalities;

Funding for Library Current Awareness;

Funding for Library Usage and Promotion;

Funding for Library Development.

The transfer of funds for the Library Development program is dependent on the approval of a submitted business plan, in line with the Funding Criteria and on the formats as prescribed.

T3.52.1

# Chapter 3

Libraries; Archives; Museums; Galleries; Community Facilities; Other Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets  (ii)	Year 0		Year 1			Year 2	Year 4	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
To ensure that the community have a better life through proper services available									
Building of library:Witbank					80000	27131			
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year 0 Budget/IDP round; *'Current Year' refers to the targets set in the Year 1 Budget/IDP round. *'Following Year' refers to the targets set in the Year 2 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									
									T3.52.3



# Chapter 3

Employees: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3					
4 - 6	5	5	5	0	0%
7 - 9					
10 - 12					
13 - 15	1	1	1	0	0%
16 - 18					
19 - 20					
<b>Total</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>0%</b>
<p><i>Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.</i></p> <p><i>*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</i></p>					

T3.52.4

R'000					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	310	416	416	291	-43%
Expenditure:					
Employees	218	273	253	293	7%
Repairs and Maintenance	1	5	5	5	0%
Other	242	453	368	414	-9%
<b>Total Operational Expenditure</b>	<b>461</b>	<b>731</b>	<b>626</b>	<b>712</b>	<b>-3%</b>
<b>Net Operational Expenditure</b>	<b>151</b>	<b>315</b>	<b>210</b>	<b>421</b>	<b>25%</b>
<p><i>Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i></p>					T3.52.5

# Chapter 3

#

#

Capital Expenditure Year 1: Libraries; Archives; Museums; Galleries; Community Facilities; Other R' 000					
Capital Projects	Year 1				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	80	80	27	-196%	
Building of Library Witbank	80	80	27	-196%	80
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T3.52.6

# Chapter 3

#

#

## 3.55 CEMETORIES AND CREMATORIALS

### INTRODUCTION TO CEMETORIES & CREMATORIALS

The Municipality own no crematoriums.

T3.55.1

# Chapter 3

Cemeteries and Crematoriums Policy Objectives Taken From IDP									
Service Objectives   <i>Service Indicators</i>  (i)	Outline Service Targets   (ii)	Year 0		Year 1			Year 2	Year 4	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
To ensure that the community of have a better life through proper services available									
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (iii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year 0 Budget/IDP round; *'Current Year' refers to the targets set in the Year 1 Budget/IDP round. *'Following Year' refers to the targets set in the Year 2 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									T3.55.

# Chapter 3

Employees: Cemeteries and Crematoriums					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3					
4 - 6	1	1	1	0	0%
7 - 9					
10 - 12					
13 - 15					
16 - 18					
19 - 20					
Total	1	1	1	0	0

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.

\*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T3.55.4

# Chapter 3

#

#

Financial Performance Year 1: Cemeteries and Crematoriums					
R'000					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>		3	4	8	63%
<b>Expenditure:</b>					
Employees	4	82	25	11	-645%
Repairs and Maintenance	4	15	15	5	-200%
Other	109	92	91	96	4%
<b>Total Operational Expenditure</b>	117	189	131	112	-69%
<b>Net Operational Expenditure</b>	117	186	127	104	-79%
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T3.55.5

Capital Expenditure Year 1: Cemeteries and Crematoriums					
R' 000					
Capital Projects	Year 1				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	0	0	0	0%	
Project A					
Project B					
Project C					
Project D					
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T3.55.6

# Chapter 3

#

#

COMMENT ON THE PERFORMANCE OF CEMETERIES & CREMATORIUMS OVERALL:

Only the cemetery in Pofadder is the property of council. All the other cemeteries is the property of Local Churches

## COMPONENT E: SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

### INTRODUCTION TO SPORT AND RECREATION

The Municipality own one (1) community park, Dr. O.T. van schalkwyk Park which is a historical site and tourism attraction. One (1) sportsfield, the Dennis Nel Stadium is the property of the Council and one (1) is owned by Boesmanland High School. The social and labour plan of Black Mountain Mine funded the project in building a swimming pool for the municipality. No campsites is the property of council.

T3.68.0

### 3.68 SPORT AND RECREATION



# Chapter 3

#

#

Sport and Recreation Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i> (i)	Outline Service Targets (ii)	Year 0		Year 1			Year 2	Year 4	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
To ensure that the community of have a better life through proper services available									
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year 0 Budget/IDP round; *'Current Year' refers to the targets set in the Year 1 Budget/IDP round. *'Following Year' refers to the targets set in the Year 2 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									T3.68.2

# Chapter 3

Employees: Sport and Recreation					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3					
4 - 6	1	1	1	0	0%
7 - 9					
10 - 12					
13 - 15					
16 - 18					
19 - 20					
Total	1	1	1	0	0%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T3.68.3

Financial Performance 2011/2012: Sport and Recreation					
R'000					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	48	5	5	4	-25%
Expenditure:					
Employees	21	86	53	39	-121%
Repairs and Maintenance	5	12	9	11	-9%
Other	273			241	100%
<b>Total Operational Expenditure</b>	299	98	62	291	66%
<b>Net Operational Expenditure</b>	251	93	57	287	68%

*Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.*

T3.68.4

# Chapter 3

#

#

Capital Expenditure Year 1: Sport and Recreation					
R' 000					
Capital Projects	Year 1				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	#DIV/0!	
Project A					
Project B					
Project C					
Project D					
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T3.68.5

# Chapter 3

#

#

## COMPONENT F: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

### 3.69 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councilors; and municipal manager).

#### INTRODUCTION TO EXECUTIVE AND COUNCIL

**Delete Directive note once comment is complete** – Provide brief introductory comments. Set out your top 3 service delivery priorities and the impact you have had on them during the year. Explain the measures taken to improve performance and the major efficiencies achieved by your service during the year.

T3.69.1

#### SERVICE STATISTICS FOR THE EXECUTIVE AND COUNCIL

T3.69.2

# Chapter 3

The Executive and Council Policy Objectives Taken From IDP									
Service Objectives   <i>Service Indicators</i>  (i)	Outline Service Targets   (ii)	Year 0		Year 1			Year 2	Year 4	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
To ensure that the community of have a better life through proper services available									
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (iii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year 0 Budget/IDP round; *'Current Year' refers to the targets set in the Year 1 Budget/IDP round. *'Following Year' refers to the targets set in the Year 2 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									T3.69.3

# Chapter 3

Financial Performance Year 1: The Executive and Council					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	0	0	0	0	
Expenditure:					
Employees	762	1343	1468	1238	-8%
Repairs and Maintenance					
Other					
<b>Total Operational Expenditure</b>	762	1343	1468	1238	-8%
<b>Net Operational Expenditure</b>	762	1343	1468	1238	-8%
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T3.69.5

# Chapter 3

#

#

Employees: The Executive and Council					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3					
4 - 6					
7 - 9	2	2	2	0	0%
10 - 12	1	1	1	0	0%
13 - 15					
16 - 18					
19 - 20	1	1	1	0	0%
Total	4	4	4	0	0%
<p>Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T3.69.4</p>					

# Chapter 3

#

#

Capital Expenditure Year 1: The Executive and Council					
Capital Projects	Year 1				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
Project A					
Project B					
Project C					
Project D					
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T3.69.6



# Chapter 3

#

#

## 3.70 FINANCIAL SERVICES

### Financial Sustainability

Management is responsible for the sound and sustainable management of the affairs of the municipality and to implement an efficient, effective and transparent financial management system for the purpose, as regulated by the MFMA.

The municipality's financial indicators have been assessed according to the following areas and are set out in the table below:

FINANCIAL INDICATORS AS AT 30 JUNE 2012				
(Limitation = unable to obtain sufficient appropriate information)				
BUDGETS				
1.1	Percentage over-spending of the final approved operating expenditure budget.	Not over-spent	% over-spent	Limitation
		✓		
1.2	Percentage under-spending of the final approved capital budget.	Not under-spent	% under-spent	Limitation
			69.2	

# Chapter 3

#

#

FINANCIAL INDICATORS AS AT 30 JUNE 2012					
(Limitation = unable to obtain sufficient appropriate information)					
EXPENDITURE MANAGEMENT					
2.1	Creditor-payment period.			Days	Limitation
				113	
CONDITIONAL GRANTS					
3.1	Percentage under-spending of conditional grants received.	Not under-spent		% under-spent	Limitation
				50.9	
3.2	Percentage by which unspent conditional grants received exceeds cash available at year-end.	Bank in overdraft	Not exceeded	% exceeded	Limitation
				11.8	
REVENUE MANAGEMENT					

# Chapter 3

#

#

FINANCIAL INDICATORS AS AT 30 JUNE 2012			
(Limitation = unable to obtain sufficient appropriate information)			
4.1	Debtor-collection period (before impairment).	Days	Limitation
		411	
4.2	Debtor-collection period (after impairment).	Days	Limitation
		115	
4.3	Percentage of debtors impaired.	% debtors impaired	Limitation
		72.1	
4.4	Percentage of revenue not collected (bad debt written off).	% revenue not collected	Limitation

# Chapter 3

#

#

FINANCIAL INDICATORS AS AT 30 JUNE 2012				
(Limitation = unable to obtain sufficient appropriate information)				
		28		
4.5	Percentage water losses incurred.	% water losses	Limitation	
		14.5		
4.6	Percentage electricity losses incurred.	% electricity losses	Limitation	
		12.8		
ASSET AND LIABILITY MANAGEMENT				
5.1	A deficit for the year was realised (total expenditure exceeded total revenue).	No	Yes	Limitation
			✓	

# Chapter 3

#

#

FINANCIAL INDICATORS AS AT 30 JUNE 2012				
(Limitation = unable to obtain sufficient appropriate information)				
5.2	A net current liability position was realised (total current liabilities exceeded total current assets).	No	Yes	Limitation
			✓	
5.3	A net liability position was realised (total liabilities exceeded total assets).	No	Yes	Limitation
		✓		
5.4	The year-end bank balance was in overdraft.	No	Yes	Limitation
		✓		
5.5	Percentage of property, plant and equipment, and / or intangible assets impaired.	% PPE and intangible assets impaired		Limitation

# Chapter 3

#

#

FINANCIAL INDICATORS AS AT 30 JUNE 2012				
(Limitation = unable to obtain sufficient appropriate information)				
			0	
5.6	Percentage of loan receivables (loans awarded) and/or investments impaired.		% loans and investments impaired	Limitation
			0	
5.7	Long-term debt to operating cash flow ratio.	Negative/no cash flows	Long-term debt to cash flow ratio	Limitation
			1.9	
5.8	Employee benefit obligations to operating cash flow ratio.	Negative/no cash flows	Employee benefit obligations to cash flow ratio	Limitation

# Chapter 3

#

#

FINANCIAL INDICATORS AS AT 30 JUNE 2012				
(Limitation = unable to obtain sufficient appropriate information)				
			0.9	

# Chapter 3

#

#

Financial Service Policy Objectives Taken From IDP									
Service Objectives  <div>Service Indicators</div> (i)	Outline Service Targets  (ii)	Year 0		Year 1			Year 2	Year 4	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
Increase in speed of payment of tariffs, tax demands, invoices	No more than x% of creditors raised (in Rand value) during the year outstanding (o/s) at year end	No more than 37 % of current yr creditors o/s at yr end	No more than a 37% of current yr creditors o/s at yr end	No more than 30% of current yr creditors o/s at yr end	No more than 30% of current yr creditors o/s at yr end	No more than 15% of current yr creditors o/s at yr end	No more than 10% of current yr creditors o/s at yr end	No more than 10% of current yr creditors o/s at yr end	No more than 10% of current yr creditors o/s at yr end
Reducing the number of invoices raised by increasing advance payment for services rendered (A project requiring participation by all departments but let by the central finance department)	x% reduction in number of invoices raised over the previous year's target	35 % reduction in invoices raised; target limit of invoices	30% reduction in invoices raised; target limit of invoices	30% reduction in invoices raised; target limit of invoices	25% reduction in invoices raised; target limit of invoices	75% increase in invoices raised; target limit of invoices	25% reduction in invoices raised; target limit of invoices	25% reduction in invoices raised; target limit of invoices	25% reduction in invoices raised; target limit of invoices
Improving speed of legal measures to recover revenues	Commence legal proceedings for recovery of revenues within 4 weeks of the due date	Legal proceeding within 4 weeks of due date	Legal proceeding within 4 weeks of due date	Legal proceeding within 4 weeks of due date	Legal proceeding within 4 weeks of due date	Legal proceeding within 4 weeks of due date	% of legal proceeding commenced within 4 weeks of due date	% of legal proceeding commenced within 4 weeks of due date	% of legal proceeding commenced within 4 weeks of due date
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (iii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year 0 Budget/IDP round; *'Current Year' refers to the targets set in the Year 1 Budget/IDP round. *'Following Year' refers to the targets set in the Year 2 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									

T3.70.3



# Chapter 3

Employees: Financial Services					
Job Level	Year 0	Year 1			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3					
4 - 6					
7 - 9	10	10	10	10	100%
10 - 12	7	7	7	7	100%
13 - 15					
16 - 18					
19 - 20	2	2	2	2	100%
Total	19	19	19	19	100%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

*T3.70.4*

# Chapter 3

#

#

Financial Performance Year 1: Financial Services					
R'000					
Details	Year 0	Year 1			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	4958	4505	4955	4725	5%
Expenditure:					
Employees	3146	2881	3087	3173	9%
Repairs and Maintenance	118	145	171	160	9%
Other	3401	3004	3311	4256	29%
<b>Total Operational Expenditure</b>	6665	6030	6569	7589	21%
<b>Net Operational Expenditure</b>	1707	1525	1614	2864	47%
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T3.70.5

# Chapter 3

#

#

Capital Expenditure Year 1: Property; Legal; Risk Management; and Procurement Services					
R' 000					
Capital Projects	Year 1				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
Project A					
Project B					
Project C					
Project D					
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T3.73.6



# Chapter 4

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

### (PERFORMANCE REPORT PART II)

#### INTRODUCTION

**Delete Directive note once comment is complete** - Provide a brief introduction to your municipality's organisational development function.

T4.0.1

# # Chapter 4

## COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	Year 0	Year 1			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Water	6	7	6	1	14%
Waste Water (Sanitation)	6	7	6	1	14%
Electricity	1	1	1	0	0%
Waste Management	6	8	6	2	25%
Housing	0	0	0	0	0%
Waste Water (Stormwater Drainage)	0	0	0	0	0%
Roads	4	4	4	0	0%
Transport	0	0	0	0	0%
Planning	0	0	0	0	0%
Local Economic Development	1	1	1	0	0%
Planning (Strategic & Regulatory)	0	0	0	0	0%
Local Economic Development	0	0	0	0	0%
Community & Social Services	3	9	7	2	22%
Environmental Protection	0	0	0	0	0%
Health	0	0	0	0	0%
Security and Safety	0	0	0	0	0%
Sport and Recreation	1	1	1	0	0%
Corporate Policy Offices and Other	17	19	19	0	0%
<b>Totals</b>	<b>45</b>	<b>57</b>	<b>51</b>	<b>6</b>	<b>11%</b>
Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June.					T4.1.1

# Chapter 4

#

Vacancy Rate: Year 1			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	3	300.00
CFO	1	0	0.00
Other S57 Managers (excluding Finance Posts)	0	0	#DIV/0!
Other S57 Managers (Finance posts)	0	0	#DIV/0!
Police officers	0	0	
Fire fighters	0	0	
Senior management: Levels 13-15 (excluding Finance Posts)	0	0	#DIV/0!
Senior management: Levels 13-15 (Finance posts)	1	0	0.00
Highly skilled supervision: levels 9-12 (excluding Finance posts)	1	0	0.00
Highly skilled supervision: levels 9-12 (Finance posts)	2	0	0.00
<b>Total</b>	<b>6</b>	<b>3</b>	<b>50.00</b>
<i>Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</i>			

T4.1.2

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
2009/2010	2	5	250.00%
2010/2011	2	0	
2011/2012	4	1	25.00%
<i>* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year</i>			

T4.1.3

## COMMENT ON VACANCIES AND TURNOVER:

The Municipal Managers post is vacant since 2009. The vacancy was advertised several times. No appointment was made by council. The Chief Financial Officer was appointed in 2005.

T4.1.4

# # Chapter 4

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

Note: MSA 2000 S67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998.

T4.2.0



# Chapter 4

## 4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Affirmative Action	0.00%	0.00%	Failure to adopt
2	Attraction and Retention	0.00%	0.00%	Failure to adopt
3	Code of Conduct for employees	100.00%	100.00%	National adopted
4	Delegations, Authorisation & Responsibility	0.00%	0.00%	Failure to adopt
5	Disciplinary Code and Procedures	100.00%	100.00%	National adopted
6	Essential Services	0.00%	0.00%	Failure to adopt
7	Employee Assistance / Wellness	0.00%	0.00%	Failure to adopt
8	Employment Equity	100.00%	0.00%	Failure to adopt
9	Exit Management	0.00%	0.00%	Failure to adopt
10	Grievance Procedures	100.00%	100.00%	National adopted
11	HIV/Aids	100.00%	0.00%	National adopted
12	Human Resource and Development	0.00%	0.00%	Failure to adopt
13	Information Technology	0.00%	0.00%	Failure to adopt
14	Job Evaluation	0.00%	0.00%	Failure to adopt
15	Leave	100.00%	100.00%	National adopted
16	Occupational Health and Safety	100.00%	0.00%	National adopted
17	Official Housing	0.00%	0.00%	Failure to adopt
18	Official Journeys	0.00%	0.00%	Failure to adopt
19	Official transport to attend Funerals	0.00%	0.00%	Failure to adopt
20	Official Working Hours and Overtime	100.00%	100.00%	National adopted
21	Organisational Rights	0.00%	0.00%	Failure to adopt
22	Payroll Deductions	0.00%	0.00%	Failure to adopt
23	Performance Management and Development	0.00%	0.00%	Failure to adopt
24	Recruitment, Selection and Appointments	100.00%	0.00%	National adopted
25	Remuneration Scales and Allowances	100.00%	0.00%	National adopted
26	Resettlement	0.00%	0.00%	Failure to adopt
27	Sexual Harassment	100.00%	0.00%	National adopted
28	Skills Development	0.00%	0.00%	Failure to adopt
29	Smoking	100.00%	0.00%	National adopted
30	Special Skills	0.00%	0.00%	Failure to adopt
31	Work Organisation	0.00%	0.00%	Failure to adopt
32	Uniforms and Protective Clothing	100.00%	0.00%	National adopted
33	Other:			
Use name of local policies if different from above and at any other HR policies not listed.				T4.2.1

## #

### 4.3 INJURIES, SICKNESS AND SUSPENSION

### T4.3.1

T4.3.5

## #

#### T4.3.6

No suspensions and case of financial misconduct

# # Chapter 4

## COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

Note: MSA 2000 S68 (1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

4.5.0

# Chapter 4

## 4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 1	Number of skilled employees required and actual as at 30 June Year 1											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
		No.	Actual: End of Year 0	Actual: End of Year 1	Target	Actual: End of Year 0	Actual: End of Year 1	Target	Actual: End of Year 0	Actual: End of Year 1	Target	Actual: End of Year 0	Actual: End of Year 1	Target
MM and s57	Female													
	Male	1	1	1									1	
Councillors, senior officials and managers	Female	3	3	3									3	
	Male	7	7	7									7	7
Technicians and associate professionals*	Female	1	1	1									1	1
	Male	2	2	2									2	
Professionals	Female	2	2	2									2	1
	Male	1	1	1									1	1
Sub total	Female	6	6	6									6	
	Male	11	11	11									11	8
Total		17	17	17	0	0	0	0	0	0	0		17	8

\*Registered with professional Associate Body e.g CA (SA)

T4.5.1

# Chapter 4

COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS: T4.5.4

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Total Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>						
<i>Accounting officer</i>	1	0	1	0	0	0
<i>Chief financial officer</i>	1	0	1	0	0	0
<i>Senior managers</i>	1	0	1	0	0	0
<i>Any other financial officials</i>	1	0	1	0	0	0
<b>Supply Chain Management Officials</b>						
<i>Heads of supply chain management units</i>	0	0	0	0	0	0
<i>Supply chain management senior managers</i>	0	0	0	1	1	1
<b>TOTAL</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>1</b>
* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)						T4.5.2

# Chapter 4

#

#

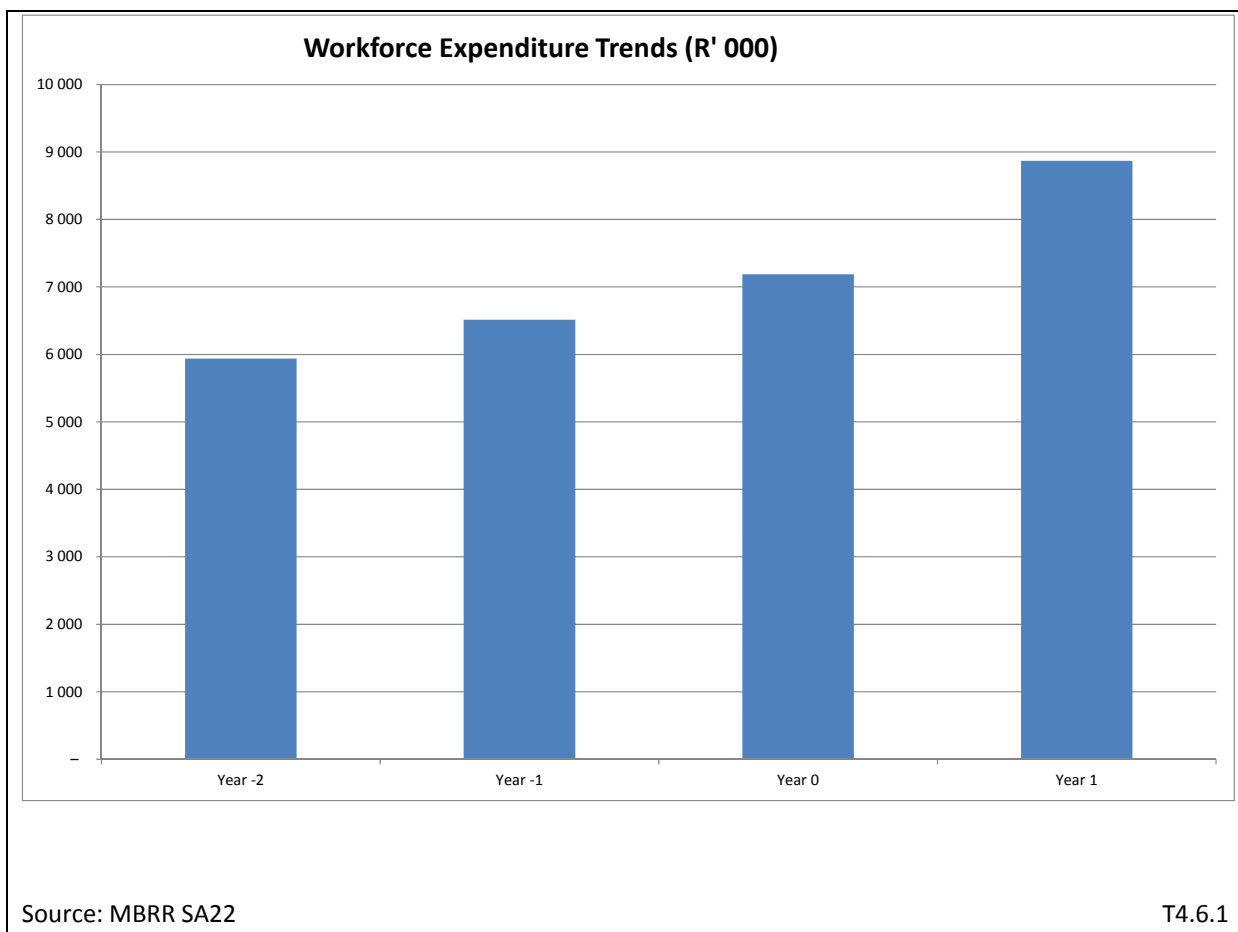
Skills Development Expenditure										
										R'000
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female								0	0
	Male	1							0	0
Legislators, senior officials and managers	Female								0	0
	Male	3	20	20					20	20
Professionals	Female	2	20	20					20	20
	Male	1							0	0
Technicians and associate professionals	Female	1							0	0
	Male	2	20	20					20	20
Clerks	Female	6	20	20					20	20
	Male	1							0	0
Service and sales workers	Female	5							0	0
	Male	10	10	10					10	10
Plant and machine operators and	Female								0	0
	Male	10	10	10					10	10
Elementary occupations	Female	1							0	0
	Male	1							0	0
Sub total	Female	15	40	40	0	0	0	0	40	40
	Male	29	60	60	0	0	0	0	60	60
Total		44	100	100	0	0	0	0	100	100
*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.									1.14%*	*R100,000
T4.5.3										

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

### INTRODUCTION TO WORKFORCE EXPENDITURE

T4.6.0

#### 4.6 EMPLOYEE EXPENDITURE





## #

## T4.6.2

### T4.6.3

#### T4.6.4

# Chapter 4

#

#

COMMENT ON UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE:

**Delete Directive note once comment is complete** – Comment on T4.6.2 as appropriate and give further explanations as necessary with respect to T4.6.3 and T4.6.4.

T4.6.5

## DISCLOSURES OF FINANCIAL INTERESTS

Refer to disclosures made by officials and councillors concerning their financial interests as required by PM Regulations 805 of 2006 are set out in **Appendix J**. Make other comments as appropriate.

T4.6.6

## CHAPTER 5 – FINANCIAL PERFORMANCE

### INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

**Delete Directive note once comment is complete** - Please explain how your municipality sought to contain

T5.0.1

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

## 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Financial Summary						
R' 000						
Description	Year 0	Current Year: Year 1			Year 1 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<b>Financial Performance</b>						
Property rates	1 790	2 010	2 045	2 044	101.69%	99.95%
Service charges	6 845	8 867	8 709	9 188	103.62%	105.50%
Investment revenue	424	732	1 113	1 206	164.75%	108.36%
Transfers recognised - operational	20 871	24 149	26 800	20 936	86.70%	78.12%
Other own revenue	886	271	550	0 599	221.03%	108.91%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>30 816</b>	<b>36 029</b>	<b>39 217</b>	<b>33 973</b>	<b>94.29%</b>	<b>86.63%</b>
Employee costs	6 245	8 523	8 689	8 035	94.27%	92.47%
Remuneration of councillors	1 399	1 679	1 698	1 587	94.52%	93.46%
Depreciation & asset impairment	1 768	1 455	1 841	2 093	143.85%	113.69%
Finance charges	899	191	375	501	262.30%	133.60%
Materials and bulk purchases	5 018	6 329	6 255	6 052	95.62%	96.75%
Transfers and grants	-	13 228	14 774	10 127	76.56%	68.55%
Other expenditure	14 598	5 587	6 822	10 941	195.83%	160.38%
<b>Total Expenditure</b>	<b>29 927</b>	<b>36 992</b>	<b>40 454</b>	<b>39 336</b>	<b>106.34%</b>	<b>97.24%</b>
<b>Surplus/(Deficit)</b>	<b>889</b>	<b>-963</b>	<b>-1 237</b>	<b>-5363</b>	<b>556.91%</b>	<b>433.55%</b>
Transfers recognised - capital	8 601	9 493	10 261	3 148	33.16%	30.68%
Contributions recognised - capital & contributed assets		-	-	-	-	-
<b>contributions</b>	<b>9 490</b>	<b>8 530</b>	<b>9 024</b>	<b>-2 215</b>	<b>-25.97%</b>	<b>-24.55%</b>
Share of surplus/ (deficit) of associate						
<b>Surplus/(Deficit) for the year</b>	<b>9 490</b>	<b>8 530</b>	<b>9 024</b>	<b>-2215</b>	<b>-25.97%</b>	<b>-24.55%</b>
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>	<b>9 051</b>	<b>9 593</b>	<b>10 319</b>	<b>3 147</b>	<b>32.81%</b>	<b>30.50%</b>
Transfers recognised - capital	8 601	9 493	10 259	3 147	33.15%	30.68%
Public contributions & donations	218	-	-		#DIV/0!	#DIV/0!
Borrowing	-	-	-		#DIV/0!	#DIV/0!
Internally generated funds	231	100	60		0.00%	0.00%
<b>Total sources of capital funds</b>	<b>9 050</b>	<b>9 593</b>	<b>10 319</b>	<b>3147</b>	<b>%</b>	<b>%</b>
<b>Financial position</b>						
Total current assets	12 140	17 770	17 971	16 099	90.60%	89.58%
Total non current assets	63 332	70 277	70 617	64 490	91.77%	91.32%
Total current liabilities	12 962	4 097	4 639	18 495	451.43%	398.69%
Total non current liabilities	6 212	6 119	6 119	7 582	123.91%	123.91%
Community wealth/Equity	<b>56 297</b>	<b>77 830</b>	<b>77 830</b>	<b>54 511</b>	<b>70.04%</b>	<b>70.04%</b>

<b>Cash flows</b>						
Net cash from (used) operating	9 207	16 405	17 131	7 313	44.58%	42.69%
Net cash from (used) investing	-9 778	-9 593	-10 319	-2 866	29.88%	27.77%
Net cash from (used) financing	-484	-215	-215	-402	186.98%	186.98%
<b>Cash/cash equivalents at the year end</b>	<b>2 914</b>	<b>5 952</b>	<b>5 952</b>	<b>4 044</b>	<b>67.94%</b>	<b>67.94%</b>
<b>Cash backing/surplus reconciliation</b>						
Cash and investments available	5309	5952	5952	9 353	157.14%	157.14%
Application of cash and investments	9585	-3264	4544	10 527	-322.52%	231.67%
<b>Balance - surplus (shortfall)</b>	<b>-4276</b>	<b>3859</b>	<b>1408</b>	<b>1174</b>	<b>30.42%</b>	<b>83.38%</b>
<b>Asset management</b>						
Asset register summary (WDV)	63332	70278	70617	64073	91.17%	90.73%
Depreciation & asset impairment	1768	1455	1841	2094	143.92%	113.74%
Renewal of Existing Assets	0	300	528	0	0.00%	0.00%
Repairs and Maintenance	740	1695	1686	1063	62.71%	63.05%
<b>Free services</b>						
Cost of Free Basic Services provided	4100	4793	4793	4365	91.07%	91.07%
Revenue cost of free services provided	5007	12802	12828	5404	42.21%	42.13%
<b>Households below minimum service level</b>						
Water:	0	0	0	0	%	%
Sanitation/sewerage:	0	0	0	0	%	%
Energy:	0	0	0	0	%	%
Refuse:	0	0	0	0	%	%
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A1</i>						T5.1.1

Financial Performance of Operational Services						
						R '000
Description	Year 0	Year 1			Year 1 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<b>Operating Cost</b>						
Water	26 485	23 572	28 075	23 042	-2.30%	-21.84%
Waste Water (Sanitation)	8 541	8 285	9 054	8 456	2.02%	-7.07%
Electricity	12 355	10 254	12 478	13 219	22.43%	5.61%
Waste Management	14 232	13 235	13 662	12 097	-9.41%	-12.94%
Housing	6 542	5 496	5 954	6 346	13.40%	6.19%
Component A: sub-total	1 865	1 622	1 865	1 510	-7.41%	-23.46%
Waste Water (Stormwater Drainage)	5 643	5 530	5 925	5 304	-4.26%	-11.70%
Roads	5 643	5 530	5 925	5 304	-4.26%	-11.70%
Transport	5 322	4 470	5 747	4 630	3.45%	-24.14%
Component B: sub-total	8 455	8 455	8 624	9 554	11.50%	9.73%
Planning	1 254	1 003	1 191	1 354	25.93%	12.04%
Local Economic Development	2 516	2 063	2 264	2 340	11.83%	3.23%
Component B: sub-total	6 846	6 230	7 256	6 640	6.19%	-9.28%
Planning (Strategic & Regulatory)	12 546	10 413	11 793	11 542	9.78%	-2.17%
Local Economic Development	2 355	2 190	2 425	2 402	8.82%	-0.98%
Component C: sub-total	48 542	40 776	48 542	46 115	11.58%	-5.26%
Community & Social Services	4 565	3 698	4 337	4 291	13.83%	-1.06%
Environmental Protection	5 649	4 971	6 157	4 971	0.00%	-23.86%
Health	5 649	4 971	6 157	4 971	0.00%	-23.86%
Security and Safety	5 649	4 971	6 157	4 971	0.00%	-23.86%
Sport and Recreation	5 649	4 971	6 157	4 971	0.00%	-23.86%
Corporate Policy Offices and Other	5 649	4 971	6 157	4 971	0.00%	-23.86%
Component D: sub-total	32 808	28 552	35 122	29 145	2.04%	-20.51%
<b>Total Expenditure</b>	<b>179 353</b>	<b>157 791</b>	<b>181 274</b>	<b>169 118</b>	<b>6.70%</b>	<b>-7.19%</b>
In this table operational income (but not levies or tariffs) is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						T5.1.2

## COMMENT ON FINANCIAL PERFORMANCE:

**Delete Directive note once comment is complete** – Comment on variances above 10%.

T5.1.3

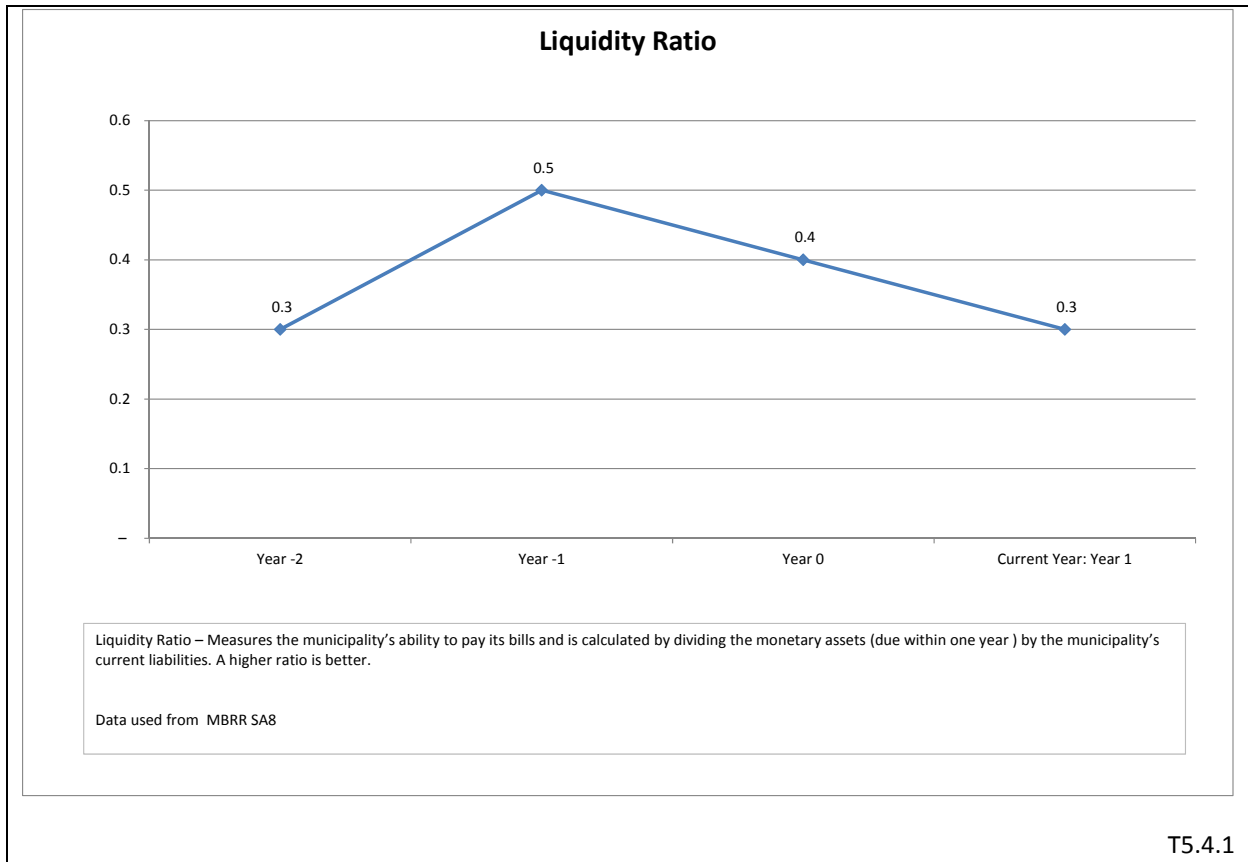
## 5.2 GRANTS

Grant Performance						
Description	R' 000					
	Year 0	Year 1			Year 1 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<b>Operating Transfers and Grants</b>						
<b>National Government:</b>	9 691	11 711	11 711	11 334	0.03	-
Equitable share	9 566	10 921	10 921	10 921	-	-
Municipal Systems Improvement	125	790	790	413	0.48	-
Department of Water Affairs	-			-	-	-
Levy replacement	-			-	-	-
Other transfers/grants	-				-	-
<b>Provincial Government:</b>	10 535	12 022	12 843	8 319	0.31	-0.07
Health subsidy	-			-	-	-
Housing	7 976	10 772	11 593	6 576	0.39	-0.08
Ambulance subsidy	-			-	-	-
Sports and Recreation	-			-	-	-
Other transfers/grants	2 559	1 250	1 250	1 744	-0.39	-
<b>District Municipality:</b>	-	-	-	-	-	-
					-	-
<b>Other grant providers:</b>	217	416	416	291	0.30	-
<i>Library Development Fund</i>	217	416	416	291	0.30	-
<b>Total Operating Transfers and Grants</b>	20 443	24 149	24 970	19 945	0.17	-0.03
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						T5.2.1

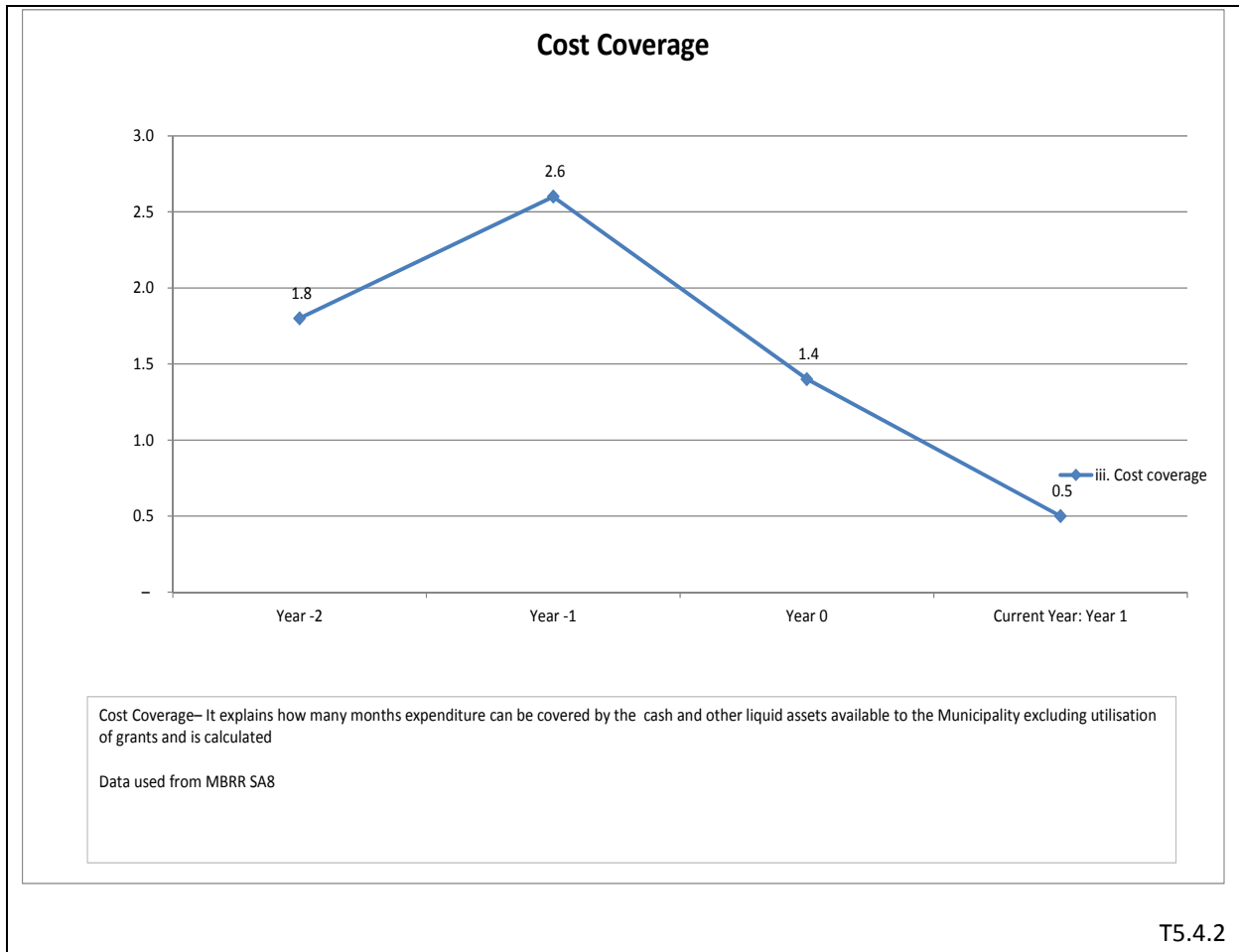
## 5.3 ASSET MANAGEMENT

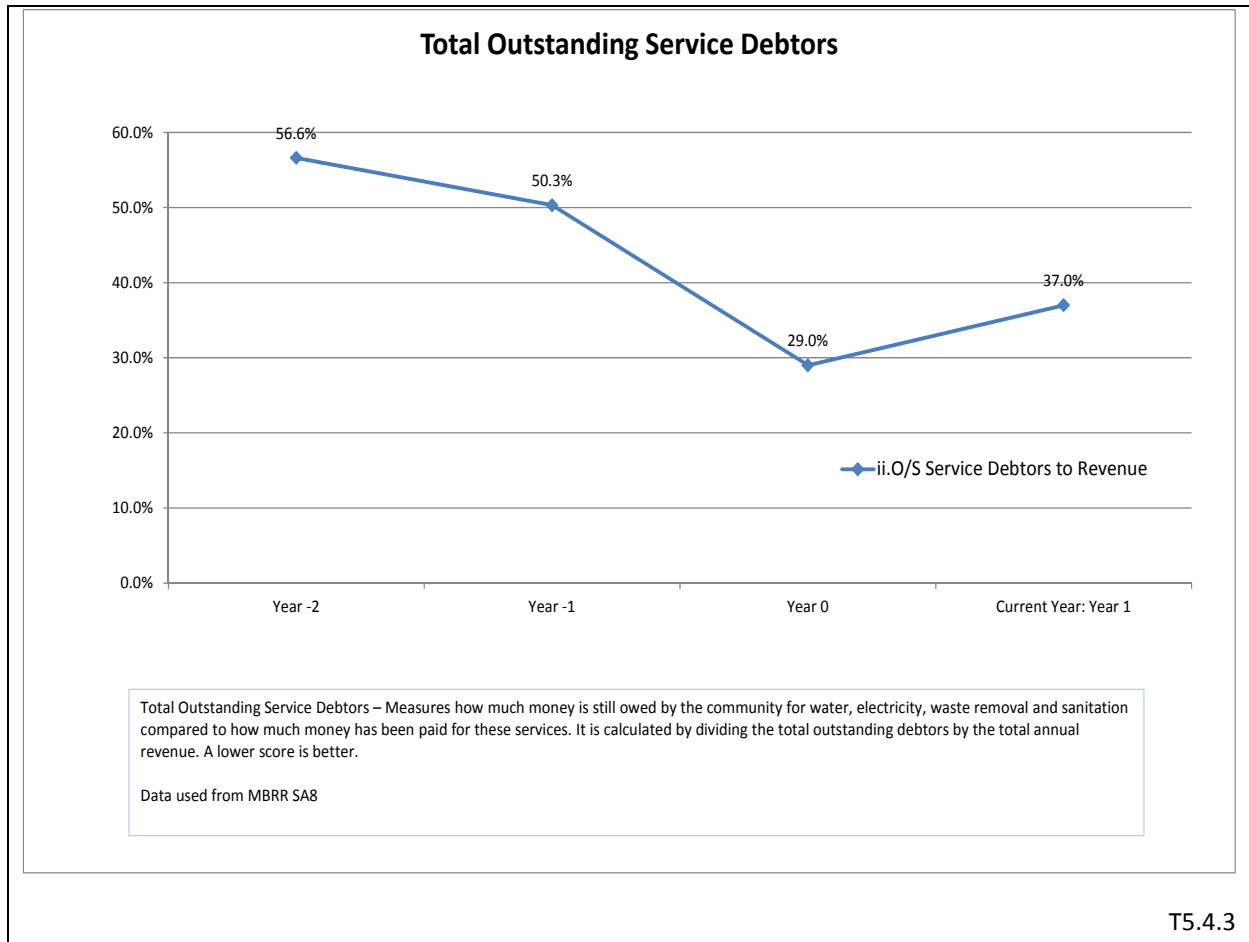
Repair and Maintenance Expenditure: Year 1				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	946	1146	1063	-12.37%
				T5.3.4

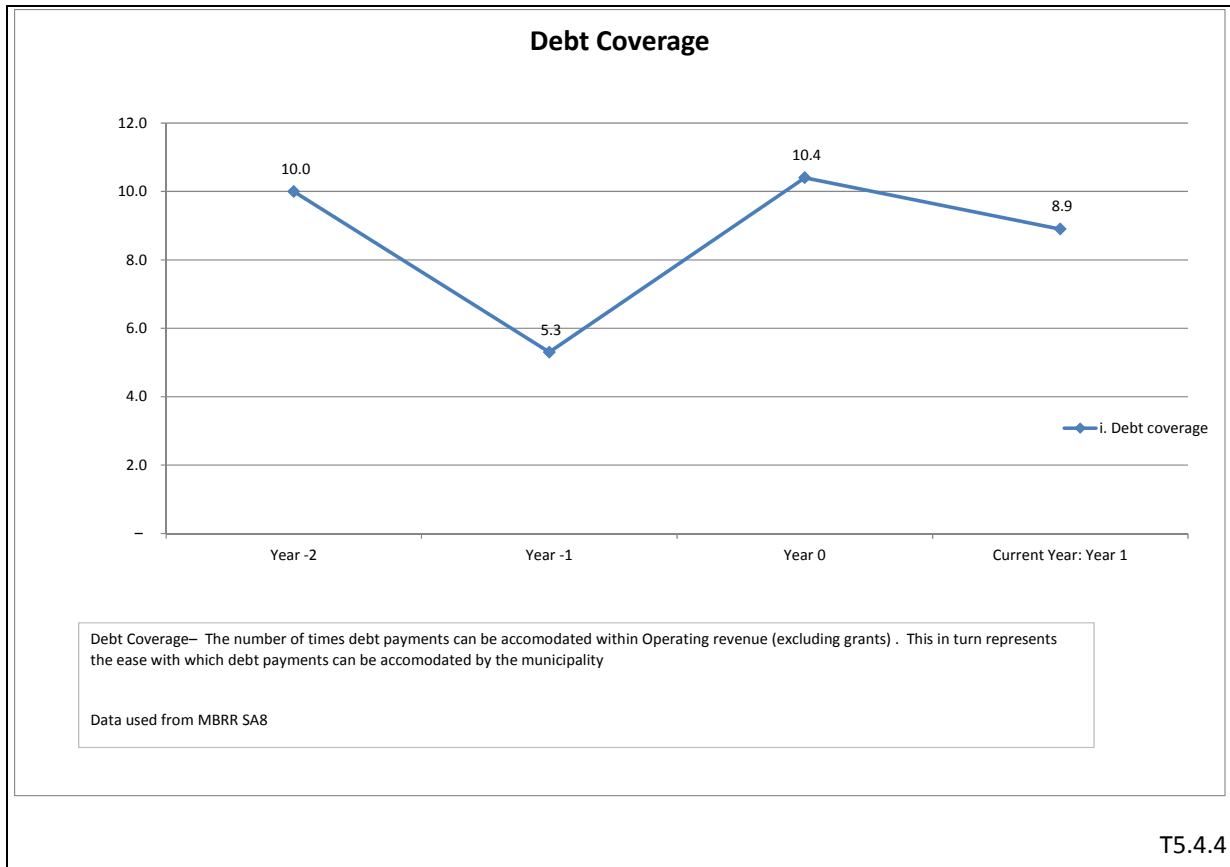
## 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

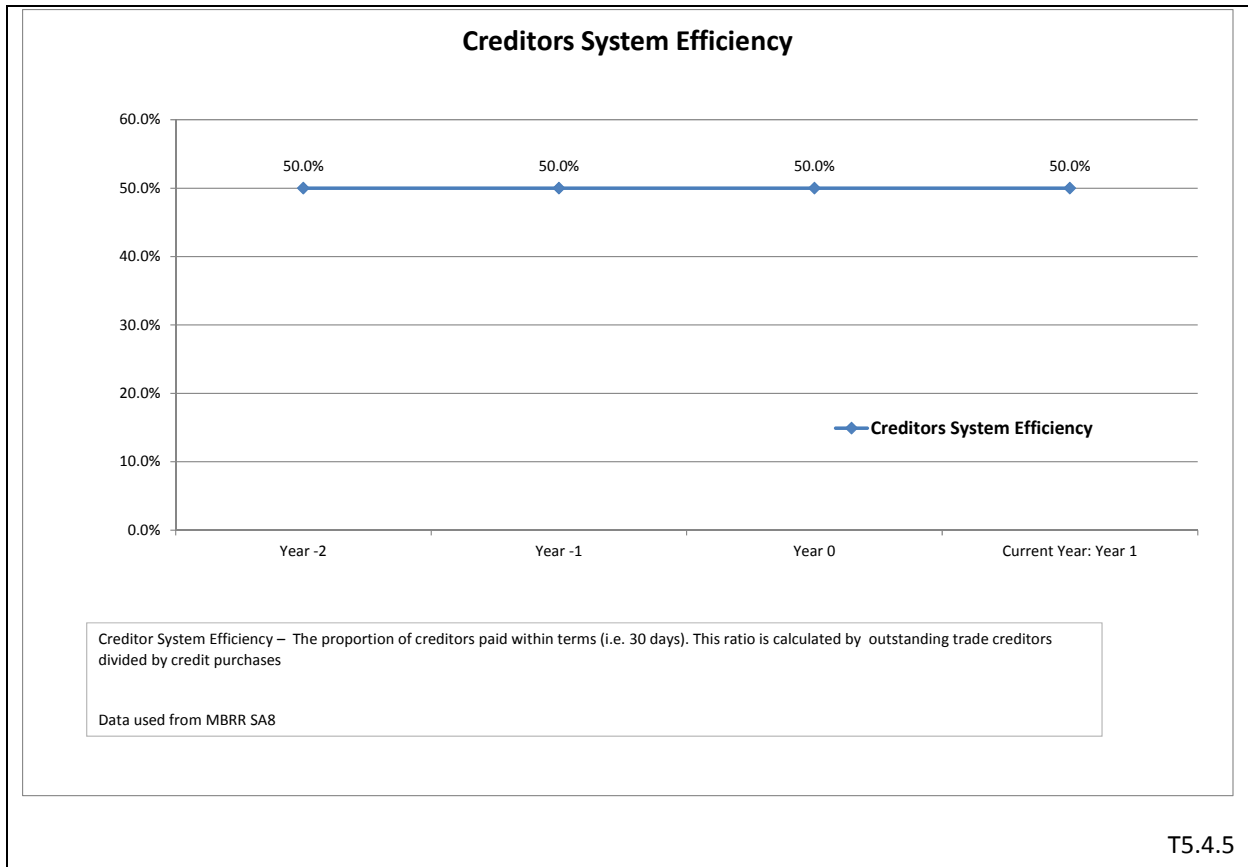




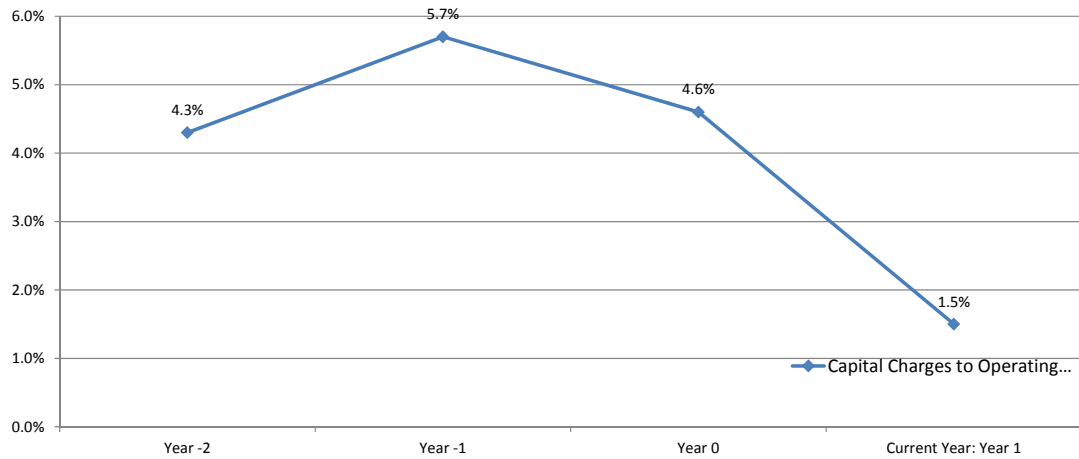








### Capital Charges to Operating Expenditure

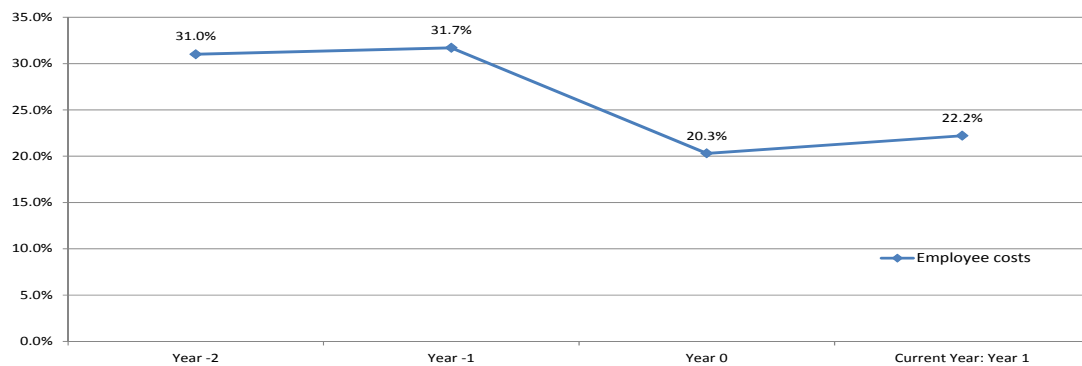


Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

T5.4.6

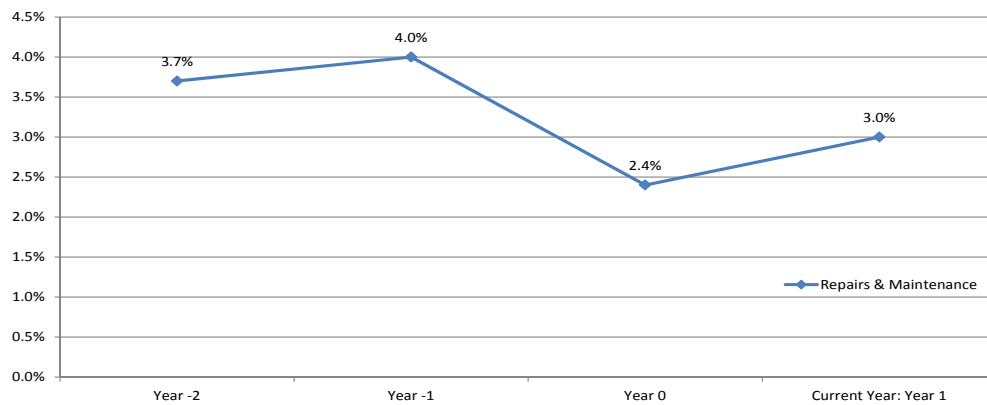
### Employee Costs



Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.

Data used from MBRR SA8

## Repairs &amp; Maintenance



Repairs and Maintenance – This represents the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance.

Data used from MBRR SA8

T5.4.8

## COMMENT ON FINANCIAL RATIOS:

The expenditure for repair and maintenance increase from 2010/2011 due infrastructure that is old and obsolete.

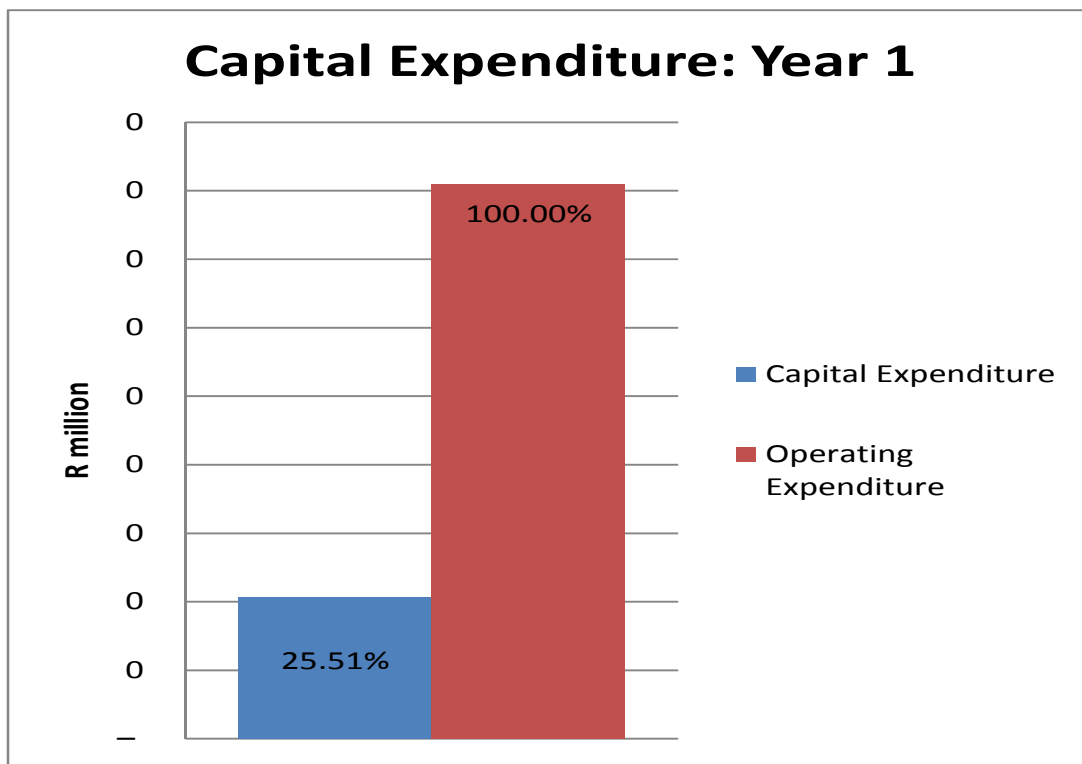
T5.4.9

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

The Capital expenditure spend during the year is 25.51% of the total operating expenditure for 2011/2012 financial year. T5.5.0

#### 5.5 CAPITAL EXPENDITURE

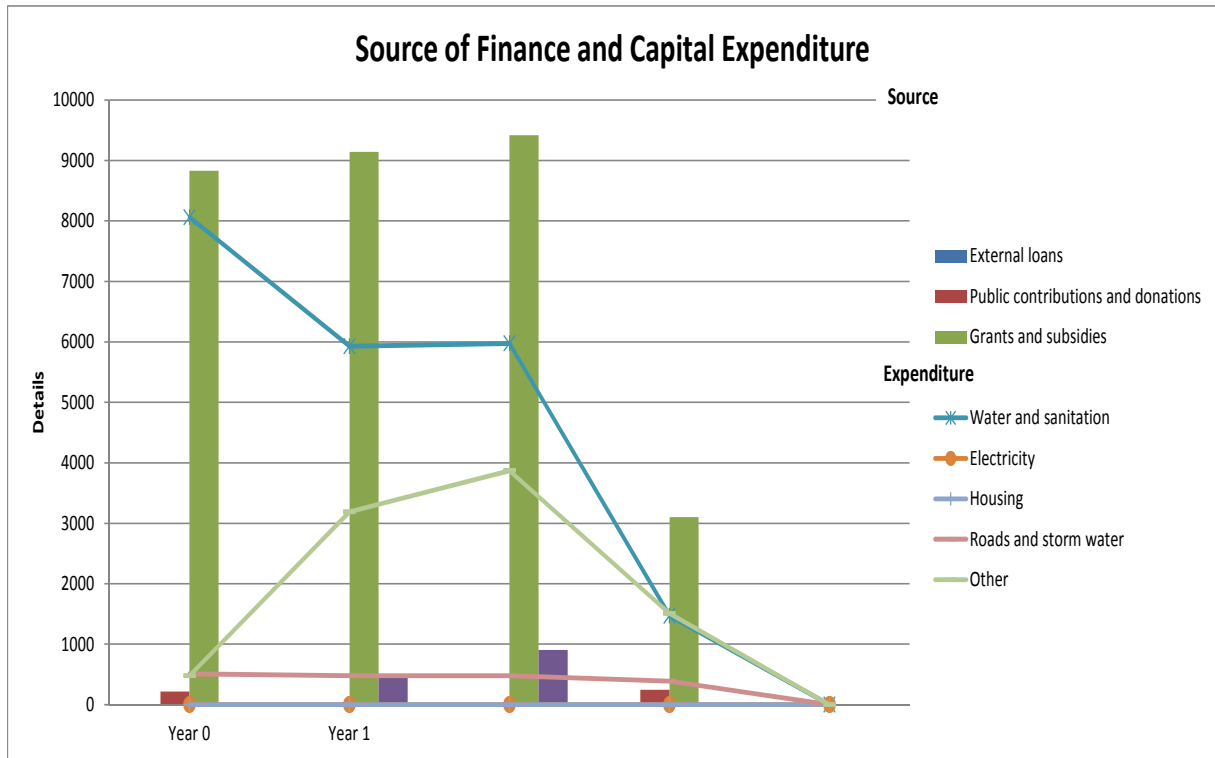


T5.5.1

## 5.6 SOURCES OF FINANCE

Capital Expenditure - Funding Sources Year 0 to Year 1						
R' 000						
Details	Year 0	Year 1				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
<b>Source of finance</b>						
External loans	0	0	0	0	#DIV/0!	#DIV/0!
Public contributions and donations	218	0	0	246	#DIV/0!	#DIV/0!
Grants and subsidies	8833	9140	9416	3101	3.02%	-66.07%
Other		453	903	19	99.34%	-95.81%
<b>Total</b>	<b>9051</b>	<b>9593</b>	<b>10319</b>	<b>3366</b>	<b>7.57%</b>	<b>-64.91%</b>
<i>Percentage of finance</i>						
External loans	0.0%	0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!
Public contributions and donations	2.4%	0.0%	0.0%	7.3%	#DIV/0!	#DIV/0!
Grants and subsidies	97.6%	95.3%	91.2%	92.1%	-4.23%	-3.31%
Other	0.0%	4.7%	8.8%	0.6%	85.31%	-88.05%
<b>Capital expenditure</b>						
Water and sanitation	8062	5928	5973	1471	0.76%	-75.19%
Electricity	0	0	0	0	#DIV/0!	#DIV/0!
Housing	0	0	0	0	#DIV/0!	#DIV/0!
Roads and storm water	510	476	476	389	0.00%	-18.28%
Other	479	3189	3870	1506	21.35%	-52.78%
<b>Total</b>	<b>9051</b>	<b>9593</b>	<b>10319</b>	<b>3366</b>	<b>7.57%</b>	<b>-64.91%</b>
<i>Percentage of expenditure</i>						
Water and sanitation	89.1%	61.8%	57.9%	43.7%	-6.33%	-29.28%
Electricity	0.0%	0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!
Housing	0.0%	0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!
Roads and storm water	5.6%	5.0%	4.6%	11.6%	-7.04%	132.91%
Other	5.3%	33.2%	37.5%	44.7%	12.82%	34.59%
T5.6.1						





## 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*					
R' 000					
Name of Project	Current Year: Year 1			Variance Current Year: Year 1	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A -	5 928	5 928	1 904	0.68	0%
B -	2 912	2 912	5	0%	0%
C -				0%	0%
D -				0%	0%
E -				0%	0%
* Projects with the highest capital expenditure in Year 1					
Name of Project - A					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					
Name of Project - B					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					
Name of Project - C					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					
Name of Project - D					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					
Name of Project - E					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					
					T5.7.1

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

## 5.9 CASH FLOW

Cash Flow Outcomes				
R'000				
Description	Year 0	Current Year: Year 1		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	6 616	38 389	38 266	11 020
Government - operating	19 848	24 149	26 682	27 007
Government - capital	8 820	9 493	9 958	3 147
Interest	1 041	732	1 113	1 206
Dividends				
<b>Payments</b>				
Suppliers and employees	(26 751)	(42 939)	(44 106)	(34 498)
Finance charges	(448)	(191)	(7)	(501)
Transfers and Grants	(48)	(13 228)	(14 774)	(69)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>9 078</b>	<b>16 405</b>	<b>17 131</b>	<b>7 313</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE				
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				
<b>Payments</b>				
Capital assets	(9 778)	(9 593)	(10 319)	(2 866)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(9 778)</b>	<b>(9 593)</b>	<b>(10 319)</b>	<b>(2 866)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans	–			
Borrowing long term/refinancing	100			
Increase (decrease) in consumer deposits	(3)	6	6	15
<b>Payments</b>				
Repayment of borrowing	(581)	(221)	(221)	(417)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(485)</b>	<b>(215)</b>	<b>(215)</b>	<b>(402)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(1 184)</b>	<b>6 597</b>	<b>6 597</b>	<b>4 045</b>
Cash/cash equivalents at the year begin:	6 493	(645)	(645)	5 309
Cash/cash equivalents at the year end:	5 309	5 952	5 952	9 353

## 5.10 BORROWING AND INVESTMENTS

## INTRODUCTION TO BORROWING AND INVESTMENTS

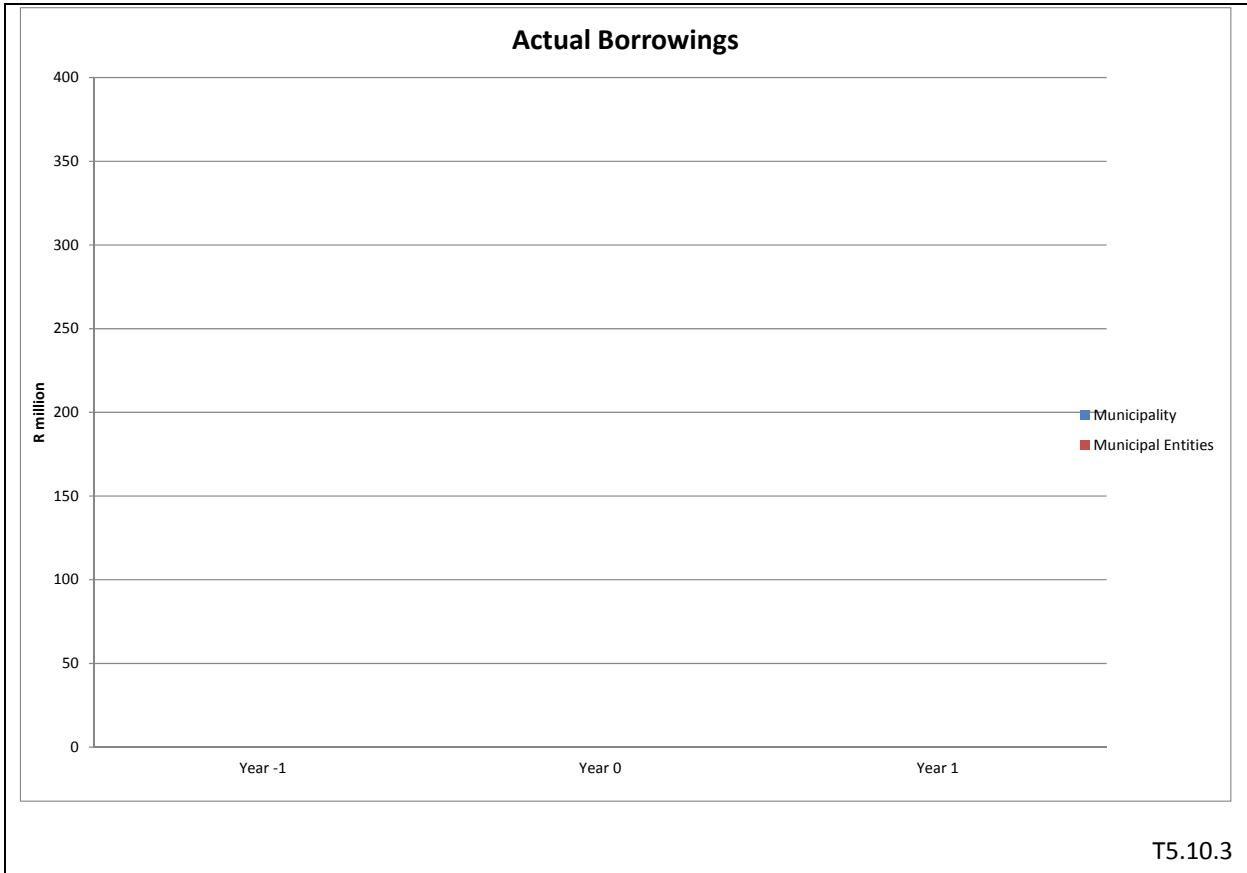
No new long-term loans is entered into during the 2011/2012 financial year.

T5.10.1

Actual Borrowings Year -1 to Year 1			
			R' 000
Instrument	Year -1	Year 0	Year 1
<b><u>Municipality</u></b>			
Long-Term Loans (annuity/reducing balance)			
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases		99	
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
<b>Municipality Total</b>		99	
<b><u>Municipal Entities</u></b>			
Long-Term Loans (annuity/reducing balance)			
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
<b>Entities Total</b>			

T5.10.2

# # Chapter 7(new)



Municipal and Entity Investments			
			R' 000
Investment* type	Year -1	Year 0	Year 1
	Actual	Actual	Actual
<b><u>Municipality</u></b>			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank	7223	5309	9353
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Municipal Bonds			
Other			
<b>Municipality sub-total</b>	<b>7223</b>	<b>5309</b>	<b>9353</b>
<b><u>Municipal Entities</u></b>			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank			
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Other			
<b>Entities sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Consolidated total:</b>	<b>7223</b>	<b>5309</b>	<b>9353</b>
			<b>T5.10.4</b>

**COMMENT ON BORROWING AND INVESTMENTS**

The deposits in bank (Call deposits) consists mainly of unspent government grants.

T5.10.5

## 5.11 PUBLIC PRIVATE PARTNERSHIPS

PUBLIC PRIVATE PARTNERSHIPS

Council do not entered into a Public Private Partnership

T5.11.1



## COMPONENT D: OTHER FINANCIAL MATTERS

### 5.12 SUPPLY CHAIN MANAGEMENT

#### SUPPLY CHAIN MANAGEMENT

No councilors are members of any committee handling Supply Chain processes. Two senior Supply Chain officials attend training by National Treasury (MFMP) to reach the prescribed levels required for their positions (MFMA Competency Regulation Guidelines). Two officials reach the necessary competency levels. According to the Supply Chain Regulations and Supply Chain Policy the adjudication committee must consist of at least four senior managers of the municipality which must include the Chief Financial Officer, Senior Supply Chain Practitioner and a Technical expert. The municipality did not comply with supply chain regulations during the 2011/2012 financial year..

T5.12.1

### 5.13 GRAP COMPLIANCE

#### GRAP COMPLIANCE

GRAP is the acronym for **G**enerally **R**ecognized **A**ccounting **P**ractice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications. Council comply fully with all GRAP Standards.

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### INTRODUCTION

Note: The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA S45 states that the results of performance measurement... must be audited annually by the Auditor-General.

T6.0.1

## COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS YEAR 0

### 6.1 AUDITOR GENERAL REPORTS YEAR 0 (PREVIOUS YEAR)

Auditor-General Report on Service Delivery Performance: Year 0	
<b>Audit Report Status:</b>	Unqualified with other matters
Non-Compliance Issues	Remedial Action Taken
The annual performance report for the financial year under review was not prepared as required by section 46 of the Municipal Systems Act.	Council must implemented and approved performance review policy regarding the collection and reporting of performance data and information does not exist. Council must assigned an official with roles and responsibilities for performance management.
	T6.1.2

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## COMPONENT B: AUDITOR-GENERAL OPINION YEAR 1 (CURRENT YEAR)

Auditor-General Report on Financial Performance Year 1*	
Status of audit report:	Unqualified with other matters
Non-Compliance Issues	Remedial Action Taken
Management appointed a service provider to compile the annual financial statements. However, they failed to adequately review these statements, which required material adjustments to ensure its fair presentation.	Council must appointed skilled staff in the finance department to assist the Chief Financial Officer with his duties.
Management did not submit an annual performance report.	Council must implemented and approved performance review policy regarding the collection and reporting of performance data and information does not exist. Council must assigned an official with roles and responsibilities for performance management.
<p><i>Note:* The report's status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse). This table will be completed prior to the publication of the Annual report but following the receipt of the Auditor- General Report on Financial Performance Year 1.</i></p>	
	T6.2.1

# GLOSSARY

## REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON KHÂI-MA LOCAL MUNICIPALITY REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of Khâi-MA Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of Khâi-MA Local Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

### Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter:

### Restatement of corresponding figures

8. During my audit, material misstatements were identified in the corresponding figures in

# GLOSSARY

the financial statements of Khâi-MA Local Municipality. As disclosed in note 33 to the financial statements, the municipality restated these figures.

## **Additional matter**

9. I draw attention to the matter below. My opinion is not modified in respect of this matter:

## **Material inconsistencies in other information included in the annual report**

10. I did not receive the 2011/12 annual report at the date of this report. As a result, I could not draw a conclusion on the consistency between the financial statements, audit report and other information included in the annual report.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

11. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

## **Predetermined objectives**

12. The annual performance was not prepared and submitted for audit purposes and consequently my findings below are limited to the procedures performed on the strategic planning and performance management documents.

13. The information was assessed to determine whether performance indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information (FMPPI)*.

14. The material findings are as follows:

## **Usefulness of information**

### **Measurability**

15. The *FMPPI*, chapter 3.3 states: "Performance targets express a specific level of performance that the institution, programme or individual is aiming to achieve within a given time period." Further it states that "A useful set of criteria for selecting performance targets is the "SMART" criteria (Specific, Measurable, Achievable, Reliable and Time-bound).

None of the targets included in the IDP were specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the *FMPPI* but chose not to apply the principles contained in the *FMPPI* due to staff constraints.

None of the targets included in the IDP were measurable. This was due to the fact that management was aware of the requirements of the *FMPPI* but chose not to apply the principles contained in the *FMPPI* due to staff constraints.

None of the targets included in the IDP were time bound in specifying a time period or deadline for delivery. This was due to the fact that management was aware of the requirements of the *FMPPI* but chose not to apply the principles contained in the *FMPPI* due to staff constraints.

16. The *FMPPI* requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use.

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None of the indicators included in the IDP were well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was

aware of the requirements of the FMPPI but chose not to apply the principles contained in the FMPPI due to staff constraints.

17. The *FMPPI* requires that it must be possible to validate the processes and systems that produce the indicator. None of the indicators relevant to all programmes were verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the lack of key controls in the relevant systems of collection, collation, verification and storage of actual performance information.

## **Compliance with laws and regulations**

18. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the *General Notice* issued in terms of the PAA, are as follows:

## **Strategic planning and performance management**

19. The municipality did not give effect to its integrated development plan (IDP) and conduct its affairs in a manner which was consistent with this plan, as required by section 36 of the Municipal Systems Act and municipal planning and performance management, regulation 6.

20. The municipality did not establish a performance management system, as required by section 38(a) of the Municipal Systems Act.

21. The municipality did not set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the development priorities and objectives set out in its IDP, as required by section 41 of the Municipal Systems Act.

22. The municipality did not measure and review performance at least once per year, with regard to each of its development priorities and objectives, and against its key performance indicators, as required by section 41 of the Municipal Systems Act.

## **Budgets**

23. The municipality incurred expenditure that was in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

24. The mayor did not submit quarterly reports to the council on the implementation of the budget and the financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.

## **Annual financial statements, performance and annual report**

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of current assets, receivables from exchange transactions, provisions, commitments, correction of errors, irregular expenditure, unauthorised

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expenditure, and the cash flow statement identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

26. The annual performance report for the financial year under review was not prepared as required by section 46 of the Municipal Systems Act.

## **Audit committees**

27. The council did not establish an audit committee, as required by section 166(1) of the MFMA.

28. The municipality did not appoint and budget for a performance audit committee, as required by municipal planning and performance management, regulation 14(2)(a).

## **Internal audit**

29. The internal audit unit did not function as required by section 165(2) of the MFMA, in that:

it did not prepare an internal audit programme for the financial year under review.

it neither comprehensively advised the accounting officer nor reported to an audit committee.

30. Due to the lack of performance measurement, the internal audit unit could not audit the results of such, as required by section 45(a) of the Municipal Systems Act and municipal planning and performance management, regulation 14(1)(a).

31. Due to the lack of a performance management system, the internal audit unit could not assess the functionality of such system, as required by municipal planning and performance management, regulation 14(1)(b)(i).

32. Due to the lack of a performance management system, the internal audit unit could not assess whether such system complied with the requirements of the Municipal Systems Act, as required by municipal planning and performance management, regulation 14(1)(b)(ii).

33. Due to the lack of a performance management system, the internal audit unit could not assess the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by municipal planning and performance management, regulation 14(1)(b)(iii).

34. Due to the lack of a performance management system, the internal audit unit could not audit the performance measurements on a continuous basis and submit quarterly reports on their audits to the municipal manager and a performance audit committee, as required by municipal planning and performance management, regulation 14(1)(c).

## **Procurement and contract management**

35. Bid adjudication was not done by a committee which was composed in accordance with municipal supply chain management, regulation 29(2).

# GLOSSARY

36. Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by municipal supply chain management, regulation 43.

37. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by municipal supply chain management, regulation 13(c).

## **Human resource management and compensation**

38. The municipal manager did not provide job descriptions for each post in the staff establishment, as required by section 66(1)(b) of the Municipal Systems Act.

39. The competencies of financial and supply chain management officials were not assessed promptly in order to identify and address gaps in competency levels as required by municipal regulations on minimum competency levels, regulation 13.

40. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury, as required by the regulations on minimum competency levels, regulation 14(2)(a).

41. The municipal manager and senior managers directly accountable to the municipal manager did not have performance agreements, as required by section 57(2)(a) of the Municipal Systems Act.

## **Expenditure management**

42. The accounting officer did not take reasonable steps to prevent unauthorised, irregular, and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

43. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.

## **Revenue management**

44. A credit control and debt collection policy was not implemented, as required by section 96(b) of the Municipal Systems Act and section 62(1)(f)(iii) of the MFMA.

## **Internal control**

45. I considered internal control relevant to my audit of the financial statements, performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.



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## **Leadership**

46. The Mayor did not develop and submit for adoption by the council, a performance management system to report on service delivery.

47. The position of accounting officer was held by a number of individuals, most of who served in an acting capacity, resulting in a lack of continuity in leadership.

## **Financial and performance management**

48. Management appointed a service provider to compile the annual financial statements. However, they failed to adequately review these statements, which required material adjustments to ensure its fair presentation.

49. Management did not submit an annual performance report.

50. Management did not properly review and monitor compliance with applicable laws and regulations.

## **Governance**

51. The internal audit unit did not function properly.

52. The accounting officer did not develop, implement and monitor a risk strategy to address the municipality's risks. 53. The council did not establish an audit committee.

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## GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give <i>"full and regular"</i> reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe <i>"what we do"</i> .
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.

# GLOSSARY

<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General Key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.

# GLOSSARY

<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

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## APPENDICES

### APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non- attendance
	FT/PT			%	%
L.H. van Rooi	PT	Finance	Party Represented	75%	25%
H.J. Raman	PT	Finance	Ward	100%	
A.J. Josop (Mayor)	FR		Ward	100%	
S. April	PT	Infrastructure	Party Represented	91.67%	8.33%
S.T. Basson	PT	Institutional	Ward	100%	
P.A. van Heerden	PT	Infrastructure	Ward	91.67%	8.33%
S. Magerman	PT	Institutional	Party Represented	100%	
Note: * Councillors appointed on a proportional basis do not have wards allocated to them					T A

# # APPENDICES

## APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Finance Committee	To make recommendations to the council about the council's financial
Institutional Committee	To make recommendations to the council about personnel - and administrative matters
Infrastructure Committee	To make recommendations to the council about infrastructure matters.
	T B

# # APPENDICES

## APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
<b>Constitution Schedule 4, Part B functions:</b>		
Air pollution	No	
Building regulations	Yes	
Child care facilities	Yes	
Electricity and gas reticulation	Yes	
Firefighting services	Yes	
Local tourism	Yes	
Municipal airports	No	
Municipal planning	Yes	
Municipal health services	Yes	
Municipal public transport	No	
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this	No	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters	No	
Stormwater management systems in built-up areas	Yes	
Trading regulations	Yes	
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes	
<i>Continued next page</i>		
<i>Continued from previous page</i>		

# # APPENDICES

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
<b>Constitution Schedule 5, Part B functions:</b>		
Beaches and amusement facilities	No	
Billboards and the display of advertisements in public places	No	
Cemeteries, funeral parlours and crematoria	Yes	
Cleansing	Yes	
Control of public nuisances	No	
Control of undertakings that sell liquor to the public	No	
Facilities for the accommodation, care and burial of animals	No	
Fencing and fences	Yes	
Licensing of dogs	No	
Licensing and control of undertakings that sell food to the public	No	
Local amenities	No	
Local sport facilities	Yes	
Markets	No	
Municipal abattoirs	Yes	
Municipal parks and recreation	Yes	
Municipal roads	Yes	
Noise pollution	No	
Pounds	No	
Public places	Yes	
Refuse removal, refuse dumps and solid waste disposal	Yes	
Street trading	Yes	
Street lighting	Yes	
Traffic and parking	No	
<b>* If municipality: indicate (yes or No); * If entity: Provide name of entity</b>		T D



# # APPENDICES

## APPENDIX E – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
Ward 1 (Onseepkans)	Councillor Aurelia Josop(Ward Councillor)	Yes	None	None	None
	Gerlinda Beukes				
	Maurichen Jaar				
	Mary Koper				
	Julinda Klein				
	Alfreda keyser				
	Annemarie Booysen				
Ward 2 (Blyvooruitsig)	Councillor Henry Raman	Yes	None	None	None
	Paulus Kangoeti				
	Mariana Engelbrecht				
	Cecil Fortuin (Deceased)				
	Ellie Nel				
	Katrina Visagie				
	Virginia Basson				
	Edward Cloete				
	Julian Fredericks				
	Estella Cloete				
	Johan Loots				
Ward 3 (Pella)	Councillor Pasqualine van Heerden	Yes	None	None	None
	Elna Smit				
	Wilhemina Basson				
Ward 4 (Pofadder/Aggeneys)	Councillor Stanley Basson	Yes	None	None	None
	Lucy Diergaardt				
	Jolene Beukes				
	Nico Jano				
	Louise Coertzen				
	Anet Kleyn				
	Romeo Ukena				
	Stanley van Rhyn				
	Surita Bezuidenhoudt				

# # APPENDICES

## APPENDIX F – WARD INFORMATION

**Ward Title: Ward Pofadder/Aggeneys (4)**

Capital Projects: Largest in Year 1				
No.	Project Name and detail	Start Date	End Date	R' 000
1.	Bulk Water Supply - Pofadder	20100927	20111007	9327
2.	Upgrading of tarr roads -Pofadder	20110615	20111118	476
3.	Waste Management- Landfill sites -Pofadder	20110701	20120630	487
4.	Extention of Muncipal Offices -Pofadder	20100726	20120607	595
				T F.1

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery					
Households without minimum service delivery					
Total Households*					
Houses completed in year					
Shortfall in Housing units					
*Including informal settlements					T.F.2

Top Four Service Delivery Priorities for Ward (Highest Priority First)		
No.	Priority Name and Detail	Progress During Year 1
	No wards were functional during 2011/2012 financial year	No service delivery priorities
		T F.3

# # APPENDICES

## APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE YEAR 1

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during Year 1	Recommendations adopted (enter Yes) If not adopted (provide explanation)
Audit committee no established during 2011/2012		No recommendations
		TG

## APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Long Term Contracts (20 Largest Contracts Entered into Year 1)					
					R' 000
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
No contracts entered into in year 1					
					TH.1

Public Private Partnerships Entered into Year 1					
					R' 000
Name and Description of Project	Name of Partner(s)	Initiation Date	Expiry date	Project manager	Value 2011/12
No contracts entered into in year 1					
					TH.2

## APPENDIX I – MUNICIPAL ENTITIES/SERVICE PROVIDERS PERFORMANCE SCHEDULE

(Council do not have any municipal entities)

# # APPENDICES

## APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July to 30 June of Year 1 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
<b>(Executive) Mayor</b>	Aurelia Joslind Josop	Nil
<b>Member of MayCo / Exco</b>		
<b>Councillor</b>	Stanley Terence Basson	Nil
	Stefanus April	Nil
	Siena Martiena Magerman	Nil
	Henry Joseph Raman	Nil
	Pasqualine Adonia van Heerden	Nil
	Lakus Henry van Rooi	Nil
<b>Municipal Manager</b>	Thabo Molete	Nil
<b>Chief Financial Officer</b>	Pieter Jacobus van der Merwe	Nil
<b>Other S57 Officials</b>	Petrus Jacobus Baker	Nil
* Financial intersests to be disclosed even if they incurred for only part of the year. See MBRR SA34A		
TJ		

# # APPENDICES

## APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote						
R' 000						
Vote Description	Year 0	Current Year: Year 1			Year 1 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Municipal Manager	260		261	185	#DIV/0!	#DIV/0!
Finance	14 697	15 378	15 674	15 415	-0.00	-0.02
Corporate Services	1 176	3 894	4 264	1 441	0.63	-0.09
Infrastructure Development	15 521	15 478	17 672	13 464	0.13	-0.14
Economic Development	7 762	10 772	11 608	6 615	0.39	-0.08
<b>Total Revenue by Vote</b>	<b>39 417</b>	<b>45 523</b>	<b>49 479</b>	<b>37 120</b>	<b>0.18</b>	<b>-0.09</b>
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget</i>						T K.1

## APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

# # APPENDICES

Revenue Collection Performance by Source							R '000
Description	Year 0	Year 1			Year 1 Variance		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget	
Property rates	1 790	2 010	2 045	2 044	-0.02	-0.02	
Property rates - penalties & collection charges	-	-	-	-	#DIV/0!	#DIV/0!	
Service Charges - electricity revenue	3 341	4 013	3 983	3 940	0.02	0.01	
Service Charges - water revenue	1 354	3 717	3 717	4 139	-0.11	-	
Service Charges - sanitation revenue	607	606	555	637	-0.05	0.08	
Service Charges - refuse revenue	422	520	442	475	0.09	0.15	
Service Charges - other	1 121	11	11	9	0.13	-0.05	
Rentals of facilities and equipment	118	105	98	129	-0.23	0.07	
Interest earned - external investments	424	200	300	351	-0.76	-0.50	
Interest earned - outstanding debtors	617	532	813	854	-0.61	-0.53	
Fines	21	40	20	17	0.57	0.50	
Licences and permits	24	16	30	29	-0.81	-0.86	
Agency services	105	100	100	110	-0.10	-	
Transfers recognised - operational	20 871	24 149	26 800	20 644	0.15	-0.11	
Other revenue	-	10	303	594	-60.91	-30.53	
Gains on disposal of PPE							
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>30 816</b>	<b>36 030</b>	<b>39 218</b>	<b>33 974</b>	<b>0.06</b>	<b>-0.09</b>	
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is							T K.2

## APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES

### APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

# # APPENDICES

Capital Expenditure - New Assets Programme*							
R '000							
Description	Year 0	Year 1			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b>Infrastructure - Total</b>	8 756	6 278	6 765	2 732	7 221	11 312	11 966
<b>Infrastructure: Road transport - Total</b>	656	–		–	3 450	6 000	6 500
Roads, Pavements & Bridges	656				3 450	6 000	6 500
Storm water							
<b>Infrastructure: Electricity - Total</b>	40	–		–	1 000	–	–
Generation							
Transmission & Reticulation	40				1 000		
Street Lighting							
<b>Infrastructure: Water - Total</b>	7 256	5 928	5 928	1 443	–	–	–
Dams & Reservoirs							
Water purification							
Reticulation	7 256	5 928	5 928	1 443			
<b>Infrastructure: Sanitation - Total</b>	40	–	46	28	2 731	5 312	5 466
Reticulation	40		46	28	2 731	5 312	5 466
Sewerage purification							
<b>Infrastructure: Other - Total</b>	764	350	791	1 261	40	–	–
Waste Management				487			
Transportation							
Gas							
Other	764	350	791	774	40		
<b>Community - Total</b>	295	3 015	3 005	218	2 912	–	–
Parks & gardens							
Sportsfields & stadia							
Swimming pools							
Community halls					2 912		
Libraries							
Recreational facilities							
Fire, safety & emergency							
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries							
Social rental housing							
Other	295	3 015	3 005	218	–		
Table continued next page							

# # APPENDICES

Capital Expenditure - New Assets Programme*							
R '000							
Description	Year 0	Year 1			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b>Heritage assets - Total</b>	-	-		-	-	-	-
Buildings							
Other							
<b>Investment properties - Total</b>	-	-		-	-	-	-
Housing development							
Other							
<b>Other assets</b>	-	-		-	-	-	-
General vehicles							
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other							
<b>Agricultural assets</b>	-	-		-	-	-	-
List sub-class							
<b>Biological assets</b>	-	-		-	-	-	-
List sub-class							
<b>Intangibles</b>	-	-	22	21	-	-	-
Computers - software & programming			22	21			
Other (list sub-class)							
<b>Total Capital Expenditure on new asset</b>	9 051	9 293	9 792	2 971	10 133	11 312	11 966
<b>Specialised vehicles</b>	-	-		-	-	-	-
Refuse							
Fire							
Conservancy							
Ambulances							



# # APPENDICES

## APPENDIX M (ii): CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME

Description	R '000						
	Year 0	Year 1			Planned Capital		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b>Infrastructure - Total</b>	-	300	528	389	-	-	-
Infrastructure: Road transport -Total	-	300	476	389	-	-	-
Roads, Pavements & Bridges		300	476	389			
Storm water							
<b>Infrastructure: Electricity - Total</b>	-	-		-	-	-	-
Generation							
Transmission & Reticulation							
Street Lighting							
<b>Infrastructure: Water - Total</b>	-	-		-	-	-	-
Dams & Reservoirs							
Water purification							
Reticulation							
<b>Infrastructure: Sanitation - Total</b>	-	-		-	-	-	-
Reticulation							
Sewerage purification							
<b>Infrastructure: Other - Total</b>	-	-	52	-	-	-	-
Waste Management							
Transportation							
Gas							
Other			52				
<b>Community</b>	-	-		-	-	-	-
Parks & gardens							
Sportsfields & stadia							
Swimming pools							
Community halls							
Libraries							
Recreational facilities							
Fire, safety & emergency							
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries							
Social rental housing							
Other							
<b>Heritage assets</b>	-	-		-	-	-	-
Buildings							
Other							

# # APPENDICES

Capital Expenditure - Upgrade/Renewal Programme*							
R '000							
Description	Year 0	Year 1			Planned Capital		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b>Investment properties</b>	-	-		-	-	-	-
Housing development							
Other							
<b>Other assets</b>	-	-		-	-	-	-
General vehicles							
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other							
<b>Agricultural assets</b>	-	-		-	-	-	-
List sub-class							
<b>Biological assets</b>	-	-		-	-	-	-
List sub-class							
<b>Intangibles</b>	-	-	-	-	-	-	-
Computers - software & programming							
Other (list sub-class)							
<b>Total Capital Expenditure on renewal of existing assets</b>	-	300	528	389	-	-	-
<b>Specialised vehicles</b>	-	-		-	-	-	-
Refuse							
Fire							
Conservancy							
Ambulances							

# # APPENDICES

## APPENDIX N – CAPITAL PROGRAMME BY PROJECT YEAR 1

Capital Programme by Project: Year 1					
					R' 000
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
<b>Water</b>					
Pofadder Bulk Water Supply	5 927 620	5 927 620	1 442 926	-311%	-311%
<b>Roads/Stormwater</b>					
Upgrading of tarr roads-Pula Nala	476 000	476 000	389 329	-22%	-22%
<b>Sports, Arts &amp; Culture</b>					
Building of Library -Witbank	80 000	80 000	27 131	-195%	-195%
					T N

## APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD YEAR 1

Capital Programme by Project by Ward: Year 1		
		R' 000
Capital Project	Ward(s) affected	Works completed (Yes/No)
<b>Water</b>		
Bulk Water Supply- Pofadder	Ward 4	Yes
<b>Stormwater</b>		
Upgrading of tarr roads- Pofadder	Ward 4	Yes
<b>Sports, Arts &amp; Culture</b>		
Building of Library -Witbank	Ward 4	No
		T O

# # APPENDICES

National and Provincial Outcomes for Local Government		
Outcome/Output	Progress to date	Number or Percentage Achieved
Output: Improving access to basic services	Water, sanitation, refuse removal, roads, storm water, electricity, land and housing	80%
Output: Implementation of the Community Work Programme	Organisational transformation to match IDP requirements, internal policies dealing with national priorities, general management practices and training	60%
Output: Deepen democracy through a refined Ward Committee model	Public relations, marketing and communication, empowering wards, public participation structures and mechanisms and service ethics (Batho Pele)	60%
Output: Administrative and financial capability	Financial policies, budget management, assets and liability control and supporting strategies to fund priorities	80%
* Note: Some of the outputs detailed on this table might have been reported for in other chapters, the information thereof should correspond with previously reported information.		
T T		

## **Khâi-MA MUNICIPALITY**



*(AUDITED)*  
**FINANCIAL STATEMENTS**

**30 JUNE 2012**

# # APPENDICES

## KHAI-MA MUNICIPALITY

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**KHAI-MA MUNICIPALITY****FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****GENERAL INFORMATION****NATURE OF BUSINESS**

Khai-Ma Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

**COUNTRY OF ORIGIN AND LEGAL FORM**

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

**JURISDICTION**

The Khai-Ma Municipality includes the following areas:

Pofadder

Pella

Omseepkans

Witbank

Aggeneys

**ACTING MUNICIPAL MANAGER**

Mr.M.M. Molete

**CHIEF FINANCIAL OFFICER**

Mr. PJ van der Merwe

**REGISTERED OFFICE**

P.O. Box 108

Pofadder

8890

**AUDITORS**

The Auditor-General

Private Bag X5013

Kimberley

8300

**PRINCIPLE BANKERS**

The Standard Bank of S.A. Ltd

Pofadder Branch

P.O. Box 60

Pofadder

8890

**ATTORNEYS**

Van der Merwe/Miller Ing.

**RELEVANT LEGISLATION**

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

## KHAI-MA MUNICIPALITY

### MEMBERS OF THE KHAI-MA MUNICIPALITY

#### WARD

#### COUNCILLOR

Ward 1	Councillor A.J. Jonas (Mayor)
Ward 2	Councillor H.J. Raman
Ward 3	Councillor P.A. van Heerden
Ward 4	Councillor S.T. Basson
Proportional	Councillor L.H. van Rooi
Proportional	Councillor S.M. Magerman
Proportional	Councillor S. April

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 72 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2012 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr.M.M. Molete  
Acting Municipal Manager

Date



# # APPENDICES

KHAI-MA MUNICIPALITY			
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012			
	Notes	2012 R (Actual)	2011 R (Restated)
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>54 511 449</b>	<b>56 726 564</b>
Housing Development Fund	2	14 764	14 078
Revaluation Reserve		3 934 049	4 069 364
Accumulated Surplus		50 562 637	52 643 122
<b>Non-Current Liabilities</b>		<b>7 582 110</b>	<b>6 212 419</b>
Long-term Liabilities	3	55 044	73 942
Employee benefits	4	3 664 142	2 968 962
Non-Current Provisions	5	3 862 923	3 169 515
<b>Current Liabilities</b>		<b>18 495 329</b>	<b>13 447 450</b>
Consumer Deposits	6	65 901	51 049
Current Employee benefits	7	1 045 255	751 796
Payables from exchange transactions	8	6 837 932	5 930 066
Unspent Conditional Government Grants and Receipts	9	10 527 344	6 454 674
Current Portion of Long-term Liabilities	3	18 898	259 865
<b>Total Net Assets and Liabilities</b>		<b>80 588 888</b>	<b>76 386 433</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>64 489 836</b>	<b>63 402 273</b>
Property, Plant and Equipment	11	64 073 011	62 938 904
Investment Property	12	74 718	76 674
Intangible Assets	13	342 107	386 695
<b>Current Assets</b>		<b>16 099 051</b>	<b>12 984 160</b>
Inventory	14	2 627 076	3 083 722
Receivables from exchange transactions	15	2 152 712	1 965 758
Receivables from non-exchange transactions	16	1 461 604	1 115 737
Unpaid Conditional Government Grants and Receipts	9	69 425	255 332
Operating Lease Asset	17.01	-	-
Taxes	10	434 975	1 254 866
Cash and Cash Equivalents	18	9 353 258	5 308 745
<b>Total Assets</b>		<b>80 588 888</b>	<b>76 386 433</b>

# # APPENDICES

KHAJ-MA MUNICIPALITY				
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012				
		2012	2011 Restated - Note 33	2011 Previously Reported
	Notes	R	R	R
<b>REVENUE</b>				
<b>Revenue from Non-exchange Transactions</b>		<b>26 145 019</b>	<b>31 283 675</b>	<b>31 283 675</b>
<b>Taxation Revenue</b>		<b>2 044 325</b>	<b>1 790 238</b>	<b>1 790 238</b>
Property taxes	19	2 044 325	1 790 238	1 790 238
<b>Transfer Revenue</b>		<b>24 083 539</b>	<b>29 472 002</b>	<b>29 472 002</b>
Government Grants and Subsidies - Capital	20	3 147 095	8 601 270	8 601 270
Government Grants and Subsidies - Operating	20	20 651 183	20 610 350	20 610 350
Public Contributions and Donations	21	285 261	260 382	260 382
<b>Other Revenue</b>		<b>17 155</b>	<b>21 435</b>	<b>21 435</b>
Fines		17 155	21 435	21 435
<b>Revenue from Exchange Transactions</b>		<b>10 975 960</b>	<b>9 915 588</b>	<b>8 133 345</b>
Service Charges	22	9 188 535	7 506 234	5 723 992
Rental of Facilities and Equipment		129 472	118 100	118 100
Interest Earned - external investments		351 442	423 934	423 934
Interest Earned - outstanding debtors		854 399	617 326	617 326
Licences and Permits		29 353	24 265	24 265
Agency Services		110 457	104 707	104 707
Other Income	23	312 301	1 121 021	1 121 021
<b>Total Revenue</b>		<b>37 120 979</b>	<b>41 199 263</b>	<b>39 417 020</b>
<b>EXPENDITURE</b>				
Employee related costs	24	8 035 214	5 813 399	5 769 670
Remuneration of Councillors	25	1 586 881	1 399 009	1 399 009
Debt Impairment	26	4 249 365	3 049 349	1 575 267
Depreciation and Amortisation	28	2 093 909	1 758 161	1 756 003
Repairs and Maintenance		1 063 316	1 015 061	1 015 061
Unamortised discount - Interest		156 985	451 718	451 718
Actuarial losses		457 245	474 957	474 957
Finance Charges	29	501 057	447 516	447 516
Bulk Purchases	30	4 950 906	4 002 992	4 002 992
Contracted services		242 465	210 313	210 313
Donations		68 611	47 702	47 702
Operating Grant Expenditure	31	10 058 786	8 429 992	-
General Expenses	32	5 682 543	4 300 580	12 730 572
Loss on disposal of Property, Plant and Equipment		179 112	33 726	33 726
Impairment Loss	27	9 700	12 543	12 543
<b>Total Expenditure</b>		<b>39 336 094</b>	<b>31 447 019</b>	<b>29 927 050</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(2 215 115)</b>	<b>9 752 244</b>	<b>9 489 970</b>

# # APPENDICES

KHAI-MA MUNICIPALITY				
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012				
	Housing Development Fund	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
<b>Balance at 30 JUNE 2010</b>	<b>13 362</b>	<b>4 204 678</b>	<b>42 589 481</b>	<b>46 807 521</b>
Correction of error - Note - 33.11	-	-	166 799	166 799
<b>Restated Balance at 1 JULY 2010</b>	<b>13 362</b>	<b>4 204 678</b>	<b>42 756 280</b>	<b>46 974 320</b>
Net Surplus/(Deficit) for the year	-	-	9 752 244	9 752 244
Transfer to Housing Development Fund	716	-	(716)	-
Offsetting of depreciation	-	(135 314)	135 314	-
<b>Balance at 30 JUNE 2011</b>	<b>14 078</b>	<b>4 069 364</b>	<b>52 643 122</b>	<b>56 726 564</b>
Net Surplus/(Deficit) for the year	-	-	(2 215 115)	(2 215 115)
Transfer to Housing Development Fund	686	-	(686)	-
Offsetting of depreciation	-	(135 314)	135 314	-
<b>Balance at 30 JUNE 2012</b>	<b>14 764</b>	<b>3 934 049</b>	<b>50 562 637</b>	<b>54 511 449</b>

# # APPENDICES

KHAI-MA MUNICIPALITY			
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012			
	Notes	2012 R	2011 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other - Restated 2011		11 019 994	6 616 010
Government - Restated 2011		30 154 357	28 667 290
Interest		1 205 842	1 041 260
<b>Payments</b>			
Suppliers		(27 091 757)	(21 255 475)
Employees		(7 474 634)	(5 543 716)
Finance charges		(501 057)	(447 516)
<b>Cash generated by operations</b>	<b>34</b>	<b>7 312 745</b>	<b>9 077 853</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(2 844 977)	(9 753 844)
Purchase of Intangible Assets		(21 256)	(23 815)
<b>Net Cash from Investing Activities</b>		<b>(2 866 234)</b>	<b>(9 777 659)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised		-	99 990
Loans repaid		(416 850)	(581 183)
Increase/(Decrease) in Consumer Deposits		14 852	(3 399)
<b>Net Cash from Financing Activities</b>		<b>(401 998)</b>	<b>(484 592)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>4 044 513</b>	<b>(1 184 398)</b>
Cash and Cash Equivalents at the beginning of the year		5 308 745	6 493 142
Cash and Cash Equivalents at the end of the year	<b>35</b>	9 353 258	5 308 745
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>4 044 513</b>	<b>(1 184 398)</b>

Notes on Financial Statements				2012	2011	
				R	R	
2	NET ASSET RESERVES					
	RESERVES				3 948 813	4 083 442
	Housing Development fund				14 764	14 078
	Revaluations Reserve				3 934 049	4 069 364
	Total Net Asset Reserve and Liabilities				3 948 813	4 083 442
3	LONG-TERM LIABILITIES					
	Annuity Loans - At amortised cost				-	399 885
	Capitalised Lease Liability - At amortised cost				73 942	90 907
					73 942	490 792
	Less: Current Portion transferred to Current Liabilities				(18 898)	(259 865)
	Annuity Loans - At amortised cost				-	(242 900)
	Capitalised Lease Liability - At amortised cost				(18 898)	(16 965)
					55 044	230 927
	Less: Unamortised charges on loans				-	(156 985)
	Balance 1 July				(156 985)	(608 703)
	Adjustment for the period				156 985	451 718
	Total Long-term Liabilities - At amortised cost using the effective interest rate method				55 044	73 942
	Development Bank Loan					
	Annuity loans at amortised cost is calculated at 5%-14% interest rate, with first maturity date of 29 February 2012 and last maturity date of 30 June 2012. The schedule of contractual maturity analysis for Annuity Loans:					
	The obligations under annuity loans are scheduled below:				Minimum annuity payments	
	Amounts payable under annuity loans:					
	Payable within one year				-	409 612
					-	409 612
	Less: Future finance obligations				-	(9 727)
	Present value of annuity obligations				-	399 885
	The obligations under finance leases are scheduled below:				Minimum lease payments	
	Amounts payable under finance leases:					
	Payable within one year				25 992	25 992
	Payable within two to five years				62 814	88 806
					88 806	114 798
	Less: Future finance obligations				(14 864)	(23 891)
	Present value of lease obligations				73 942	90 907
	The capitalised lease liability consist out of the following contracts:					
	Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
	NASHUA	MP 2851 Copier	0.893%	0%	5 Years	30/11/2016
	NASHUA	MP 2000 Copier	0.918%	0%	5 Years	30/11/2016
	Leases are secured by property, plant and equipment - Note 11					

4	EMPLOYEE BENEFITS	2012 R	2011 R
	Post Retirement Benefits - Refer to Note 4.1	3 664 142	2 968 962
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>3 664 142</b>	<b>2 968 962</b>
	<b><u>Post Retirement Benefits</u></b>		
	Balance 1 July	3 073 254	2 408 727
	Contribution for the year	367 115	287 831
	Expenditure for the year	(104 292)	(98 261)
	Actuarial Loss	457 245	474 957
	<b>Total post retirement benefits 30 June</b>	<b>3 793 322</b>	<b>3 073 254</b>
	<b>Less:</b> Transfer of Current Portion - Note 7	(129 180)	(104 292)
	<b>Balance 30 June</b>	<b>3 664 142</b>	<b>2 968 962</b>
	<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
	Balance 1 July	3 073 254	2 408 727
	Contribution for the year	367 115	287 831
	Expenditure for the year	(104 292)	(98 261)
	Actuarial Loss	457 245	474 957
	<b>Total employee benefits 30 June</b>	<b>3 793 322</b>	<b>3 073 254</b>
	<b>Less:</b> Transfer of Current Portion - Note 7	(129 180)	(104 292)
	<b>Balance 30 June</b>	<b>3 664 142</b>	<b>2 968 962</b>
4.1	<b>Post Retirement Benefits</b>		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	11	9
	In-service (employee) non-members	39	35
	Continuation members (e.g. Retirees, widows, orphans)	4	4
	<b>Total Members</b>	<b>54</b>	<b>48</b>
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	1 852 962	1 384 537
	Continuation members	1 940 360	1 688 717
	<b>Total Liability</b>	<b>3 793 322</b>	<b>3 073 254</b>
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		<b>2010 R</b>	<b>2009 R</b>
	<b>Total Liability</b>	<b>2 408 727</b>	<b>2 233 884</b>
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
	LA Health		
	Key Health		
	The Current-service Cost for the ensuing year is estimated to be R 131 462, whereas the Interest Cost for the next year is estimated to be R 291 883.		
	Key actuarial assumptions used:	<b>2012 %</b>	<b>2011 %</b>
	<b>i) Rate of interest</b>		
	Discount rate	7.83%	8.62%
	Health Care Cost Inflation Rate	6.90%	7.31%
	Net Effective Discount Rate	0.86%	1.22%

4	EMPLOYEE BENEFITS (CONTINUE)					2012 R	2011 R
	ii) Mortality rates						
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.						
	iii) Normal retirement age						
	It has been assumed that in-service members will retire at age 63 for males and 58 for females, which then implicitly allows for expected rates of early and ill-health retirement.						
	The amounts recognised in the Statement of Financial Position are as follows:						
	Present value of fund obligations					3 793 322	3 073 254
	Net liability					<b>3 793 322</b>	<b>3 073 254</b>
	Reconciliation of present value of fund obligation:						
	Present value of fund obligation at the beginning of the year					3 073 254	2 408 727
	Total expenses					262 823	189 570
	Current service cost					106 673	70 293
	Interest Cost					260 442	217 538
	Benefits Paid					(104 292)	(98 261)
	Actuarial losses					457 245	474 957
	Present value of fund obligation at the end of the year					3 793 322	3 073 254
	Less: Transfer of Current Portion - Note 7					(129 180)	(104 292)
	Balance 30 June					<b>3 664 142</b>	<b>2 968 962</b>
	Sensitivity Analysis on the Accrued Liability						
				In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
	Assumption						
	Central Assumptions			1.853	1.940	3.793	
	The effect of movements in the assumptions are as follows:						
				In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
	Assumption	Change					
	Health care inflation	+1 %		2.252	2.172	4.424	17%
	Health care inflation	-1 %		1.538	1.744	3.282	-13%
	Post-retirement mortality	- 1 yr		1.916	2.015	3.931	4%
	Average retirement age	- 1 yr		2.010	1.940	3.950	4%
	Withdrawal Rate	- 50 %		1.993	1.940	3.933	4%
4.2	Retirement funds						
	The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.						
	As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.						
	Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.						

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		2012 R	2011 R
8	<b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
	Payments received in advance	103 942	125 546
	Retentions	527 967	901 234
	Other Creditors	6 201 821	4 903 286
	Auditor-General	2 907 023	2 131 305
	Municipal Infrastructure	1 700 000	1 700 000
	Black Mountain	652 800	343 123
	Eskom Accounts	434 424	335 953
	Other	507 574	392 904
	Balance previously reported		369 526
	Penalty for non-payment of tv licenses - Note 33.05		5 345
	Claim for remuneration not paid in respect of prior year - Note 33.05		18 033
	Deposits: Other	3 900	-
	Other	302	-
	<b>Total Trade Payables</b>	<b>6 837 932</b>	<b>5 930 066</b>
	Payables are being recognised net of any discounts.		
	Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.		
	The carrying value of payables approximates its fair value.		
9	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
	<b>Unspent Grants</b>	<b>10 527 344</b>	<b>6 454 674</b>
	National Government Grants	9 655 103	5 741 502
	Balance previously reported		5 660 160
	Transferred to Unpaid Grants - Note 33.01		81 343
	Provincial Government Grants	716 406	298 853
	Balance previously reported		43 521
	Transferred to Unpaid Grants - Note 33.01		255 332
	District Municipality	146 654	405 138
	Other Grant Providers	9 181	9 181
	<b>Less: Unpaid Grants</b>	<b>69 425</b>	<b>255 332</b>
	National Government Grants	69 425	-
	Balance previously reported		-
	Transferred from Unspent Grants - Note 33.02		81 343
	Transferred to Receivables from Non-Exchange transactions - Note 33.02		(81 343)
	Provincial Government Grants	-	255 332
	Balance previously reported		-
	Transferred from Unspent Grants - Note 33.02		255 332
	<b>Total Conditional Grants and Receipts</b>	<b>10 457 919</b>	<b>6 199 342</b>
	The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
	Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		

# # APPENDICES

10	TAXES	2012 R	2011 R
10.1	<b>VAT PAYABLE</b>		
	VAT Payable	2 922	2 109
	VAT output in suspense	84 637	965 916
	Fine and interest on late payment - SARS - Note - 33.03	-	4 444
	VAT on Debt Impairment not recognised in prior years - Note 33.03	-	(883 964)
	<b>Total Vat payable</b>	<b>87 559</b>	<b>88 505</b>
10.2	<b>VAT RECEIVABLE</b>		
	VAT Receivable	522 534	1 343 371
	VAT Control	25 713	979 130
	VAT input in suspense	496 821	362 132
	Transferred to Vat Payable offsetted against Vat Receivable- Note - 10.1	-	968 025
	Transferred to Receivables from Exchange Transactions - Note - 33.03	-	(965 916)
	<b>Total VAT receivable</b>	<b>522 534</b>	<b>1 343 371</b>
10.3	<b>NET VAT (RECEIVABLE)/PAYABLE</b>	<b>(434 975)</b>	<b>(1 254 866)</b>
	VAT is receivable/payable on the cash basis.		

# # VOLUME II

11 PROPERTY, PLANT AND EQUIPMENT													
30 JUNE 2012													
Reconciliation of Carrying Value		Cost						Accumulated Depreciation					Carrying Value
	Opening Balance	B/F Adjustments on Cost	Additions	Work-In-Progress	Write-off	Transfer to Inventory	Closing Balance	Opening Balance	B/F Adjustments on Depreciation	Depreciation Charge	Write-off	Closing Balance	
	R	Note 33.06	R	R	R	R	R	R	Note 33.06	R	R	R	R
Land and Buildings	28 770 642	-	-	1 685	78 861	-	28 693 467	392 988	-	70 216	35 049	428 154	28 265 312
Land	26 878 339	-	-	-	-	-	26 878 339	-	-	-	-	-	26 878 339
Buildings	1 892 303	-	-	1 685	78 861	-	1 815 128	392 988	-	70 216	35 049	428 154	1 386 973
Infrastructure	29 601 735	-	1 860 703	233 364	-	-	31 695 802	7 817 539	-	646 214	-	8 463 753	23 232 049
Roads and Streets	2 941 814	-	389 329	41 466	-	-	3 372 610	883 837	-	121 214	-	1 005 051	2 367 559
Security Measures	238 508	-	-	-	-	-	238 508	7 637	-	12 303	-	19 940	218 568
Sewerage Mains and Purification	3 574 625	-	28 448	41 466	-	-	3 644 539	792 776	-	74 973	-	867 749	2 776 789
Electricity mains	3 856 750	-	-	41 466	-	-	3 898 216	1 154 359	-	79 905	-	1 234 264	2 663 952
Water Mains & Purification	18 990 038	-	1 442 926	108 966	-	-	20 541 930	4 978 930	-	357 819	-	5 336 749	15 205 180
Community Assets	9 826 705	-	385 507	116 297	-	-	10 328 510	1 136 716	-	278 513	-	1 415 229	8 913 281
Libraries	-	-	-	85 306	-	-	85 306	-	-	-	-	-	85 306
Recreation Grounds	6 342 735	-	-	-	-	-	6 342 735	706 571	-	138 998	-	845 569	5 497 166
Fire, Safety and Emergency	59 222	-	-	-	-	-	59 222	11 698	-	8 796	-	20 494	38 728
Clinics and Hospitals	3 424 748	-	385 507	30 992	-	-	3 841 248	418 446	-	130 720	-	549 167	3 292 081
Leased Assets	99 990	-	-	-	-	-	99 990	11 666	-	19 998	-	31 664	68 326
Office Equipment	99 990	-	-	-	-	-	99 990	11 666	-	19 998	-	31 664	68 326
Other Assets	6 586 978	-	1 060 440	-	458 559	-	7 188 858	2 906 908	-	1 011 168	323 259	3 594 816	3 594 042
Landfill Sites	2 661 186	-	494 350	-	-	-	3 155 536	1 140 508	-	492 092	-	1 632 600	1 522 936
Office Equipment	317 829	-	61 062	-	19 781	-	359 109	139 456	-	52 242	13 806	177 892	181 218
Furniture and Fittings	260 034	-	134 385	-	7 113	-	387 307	87 800	-	24 600	6 309	106 091	281 216
Bins and Containers	278	-	-	-	-	-	278	133	-	40	-	173	105
Emergency equipment	10 207	-	-	-	-	-	10 207	5 845	-	1 454	-	7 299	2 908
Motor Vehicles	2 465 183	-	135 562	-	403 987	-	2 196 757	1 281 528	-	310 511	292 994	1 299 044	897 713
Plant and Equipment	505 837	-	145 544	-	22 415	-	628 966	207 544	-	72 924	8 646	271 822	357 144
Computer Equipment	366 423	-	89 537	-	5 263	-	450 697	44 093	-	57 307	1 504	99 896	350 802
	74 886 051	-	3 306 651	351 346	537 420	-	78 006 627	12 265 816	-	2 026 109	358 308	13 933 617	64 073 011

# # APPENDICES

30 JUNE 2011													
Reconciliation of Carrying Value	Cost							Accumulated Depreciation				Carrying Value	
	Opening Balance	B/F Adjustments on Cost	Additions	Work-In- Progress	Write-off	Transfer to Inventory	Closing Balance	Opening Balance	B/F Adjustments on Depreciation	Depreciation Charge	Write-off	Closing Balance	
	R	Note 33.05	R		R		R	R	Note 33.05	R	R	R	R
Land and Buildings	28 889 264	(103 000)	-	-	15 622	-	28 770 642	251 040	76 417	70 628	5 098	392 988	28 377 654
Land	26 878 339	-	-	-	-	-	26 878 339	-	-	-	-	-	26 878 339
Buildings	2 010 925	-103 000	-	-	15 622	-	1 892 303	251 040	76 417	70 628	5 098	392 988	1 499 316
Infrastructure	20 834 107	-	735 049	8 281 912	2 461	13 507	29 835 099	7 332 116	-	487 884	2 461	7 817 539	22 017 560
Roads and Streets	2 341 122	-	510 289	146 160	784	13 507	2 983 280	788 192	-	96 428	784	883 837	2 099 443
Security Measures	20 121	-	218 386	-	-	-	238 508	5 763	-	1 873	-	7 637	230 871
Sewerage Mains and Purification	3 575 980	-	-	40 111	-	-	3 616 091	718 593	-	74 183	-	792 776	2 823 315
Electricity mains	3 858 106	-	-	40 111	-	-	3 898 216	1 068 255	6 205	79 899	-	1 154 359	2 743 857
Water Mains & Purification	11 038 778	-	6 373	8 055 530	1 677	-	19 099 004	4 751 312	(6 205)	235 501	1 677	4 978 930	14 120 074
Community Assets	9 809 431	103 000	-	294 580	295 000	-	9 912 011	1 234 266	(76 417)	273 867	295 000	1 136 716	8 775 295
Libraries	-	-	-	85 306	-	-	85 306	-	-	-	-	-	85 306
Recreation Grounds	6 342 735	-	-	-	-	-	6 342 735	567 573	-	138 998	-	706 571	5 636 164
Fire, Safety and Emergency	59 222	-	-	-	-	-	59 222	2 903	-	8 796	-	11 698	47 524
Clinics and Hospitals	3 407 474	103 000	-	209 274	295 000	-	3 424 748	663 790	(76 417)	126 073	295 000	418 446	3 006 302
Leased Assets	114 399	-	99 990	-	114 399	-	99 990	110 586	-	11 666	110 585	11 666	88 324
Office Equipment	114 399	-	99 990	-	114 399	-	99 990	110 586	-	11 666	110 585	11 666	88 324
Other Assets	6 273 175	1 736	342 314	-	30 247	-	6 586 978	2 067 371	1 565	848 831	10 859	2 906 908	3 680 070
Landfill Sites	2 673 267	-	-	-	12 081	-	2 661 186	762 805	-	380 773	3 071	1 140 508	1 520 678
Office Equipment	280 156	-	48 375	-	10 702	-	317 829	100 322	-	45 678	6 544	139 456	178 373
Furniture and Fittings	235 447	1 736	22 851	-	-	-	260 034	66 268	274	21 258	-	87 800	172 234
Bins and Containers	224	-	54	-	-	-	278	96	-	37	-	133	145
Emergency equipment	10 207	-	-	-	-	-	10 207	4 391	-	1 454	-	5 845	4 362
Motor Vehicles	2 465 183	-	-	-	-	-	2 465 183	977 972	-	303 556	-	1 281 528	1 183 655
Plant and Equipment	408 033	-	97 804	-	-	-	505 837	152 062	1 291	54 191	-	207 544	298 293
Computer Equipment	200 658	-	173 229	-	7 465	-	366 423	3 455	-	41 882	1 244	44 093	322 330
	65 920 376	1 736	1 177 352	8 576 492	457 729	13 507	75 204 720	10 995 378	1 565	1 692 875	424 003	12 265 816	62 938 904

## 1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

### 1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

## **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

## **1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

## **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

## **1.5. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

## **1.6. PRESENTATION OF BUDGET INFORMATION**

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information complies with the formats contained in the Municipal Budget and Reporting Regulations.

## 1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
<b>GRAP 6</b> <b>(Revised – Nov 2010)</b>	<p><b>Consolidated and Separate Financial Statements</b></p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	<b>Unknown</b>
<b>GRAP 7</b> <b>(Revised – Mar 2012)</b>	<p><b>Investments in Associate</b></p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	<b>1 April 2013</b>
<b>GRAP 8</b> <b>(Revised – Nov 2010)</b>	<p><b>Interest in Joint Ventures</b></p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	<b>Unknown</b>



# # APPENDICES

<b>GRAP 18</b> <b>(Original – Feb 2011)</b>	<b>Segment Reporting</b> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.</p>	<b>Unknown</b>
<b>GRAP 24</b> <b>(Original – Nov 2007)</b>	<b>Presentation of Budget Information in Financial Statements</b> <p>This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p>	<b>1 April 2012</b>
<b>GRAP 103</b> <b>(Original – July 2008)</b>	<b>Heritage Assets</b> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p>	<b>1 April 2012</b>
<b>GRAP 105</b>	<b>Transfer of Functions Between Entities Under</b>	<b>Unknown</b>

# # APPENDICES

<b>(Original – Nov 2010)</b>	<b>Common Control</b>  The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.  No significant impact is expected as the Municipality does not participate in such business transactions.	
<b>GRAP 106 (Original – Nov 2010)</b>	<b>Transfer of Functions Between Entities Not Under Common Control</b>  The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.  No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 107 (Original – Nov 2010)</b>	<b>Mergers</b>  The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.  No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>IGRAP 12</b>	<b>Jointly Controlled Entities non-monetary contributions</b>  The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).  No significant impact is expected as the Municipality does not have any JCE's at this stage.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## 1.8. RESERVES

## **1.8.1 Housing Development Fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

## **1.8.2 Revaluations Reserve**

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

## **1.9. LEASES**

### **1.9.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant

lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of

incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

## **1.9.2 Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

## **1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.

- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

## 1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

## 1.12 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

## 1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised.

#### 1.14. EMPLOYEE BENEFITS

##### (a) *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(b) Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(c) Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

**(d) Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

**(e) Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.



**(f) Other Short-term Employee Benefits**

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

**1.15. BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

**1.16. PROPERTY, PLANT AND EQUIPMENT****1.16.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets



acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

## **1.16.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

## **1.16.3 Subsequent Measurement – Revaluation Model**

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

## **1.16.4 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	<b>Years</b>
<b><u>Land and Buildings</u></b>	
Land	30-32
Buildings	10-50

# # APPENDICES

## **Infrastructure**

Roads and Streets	7-50
Electricity Mains	12-50
Water Mains and Purification	7-60
Sewerage Mains & Purification	15-60
Security measures	14-20

## **Years**

## **Community**

Recreation Grounds	15-32
Fire, Safety and Emergency	5-10
Libraries	32
Clinics and Hospitals	10-49

## **Finance lease assets**

Office equipment	5
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## **Other**

Motor Vehicles	5-15
Office equipment	3-10
Furniture and fittings	15-32
Bins and containers	7
Plant and Equipment	15-20
Landfill sites	7
Emergency equipment	7
Computer equipment	5-7

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

### **1.16.5 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.17. INTANGIBLE ASSETS**

## 1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

## 1.17.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

## 1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3 - 12

## **1.17.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **1.18. INVESTMENT PROPERTY**

### **1.18.1 Initial Recognition**

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### **1.18.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

### **1.18.3 Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to

the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

## 1.18.4 *De-recognition*

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 1.19. NON-CURRENT ASSETS HELD FOR SALE

### 1.19.1 *Initial Recognition*

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### 1.19.2 *Subsequent Measurement*

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## 1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

### 1.20.1 *Cash-generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

## **1.20.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of

the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## 1.21. NON CURRENT INVESTMENTS

Financial instruments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

## 1.22. INVENTORIES

### 1.22.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially



recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **1.22.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

## **1.23. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables from exchange transactions, cash and cash equivalents, annuity loans and payables. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

### **1.23.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

### **1.23.2 Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.



## 1.23.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

## 1.23.2.2 Payables and Annuity Loans

Financial liabilities consist of Landfill sites provisions, payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

## 1.23.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject

to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

### **1.23.3 De-recognition of Financial Instruments**

#### **1.23.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.23.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

### **1.23.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

## 1.24. REVENUE

### 1.24.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses.

Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of

twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

## **1.24.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges from sewerage are based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

## 1.25. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;

- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2<sup>nd</sup> and 3<sup>rd</sup> bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

## **1.26. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **1.27. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **1.28. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **1.29. CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present



obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

## 1.30. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the requirements of GRAP 1 as well as the formats contained in the Municipal Budget and Reporting Regulations. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard will bring new rules in respect of presentation of budget information.

## 1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

### *Post-retirement medical obligations and Long service awards*

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

### *Impairment of Receivables*

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

### *Property, Plant and Equipment*

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based

on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

### ***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

### ***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based

on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

### ***Provisions and Contingent Liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

### ***Revenue Recognition***

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue



from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

### ***Provision for Landfill Sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

### ***Provision for Task Implementation***

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 July 2010. The calculation was based on the difference between the current basic salaries compared to the basic salaries as per the new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

### ***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

### ***Provision for Performance bonuses***

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

### ***Pre-paid electricity estimation***

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

## ***Componentisation of Infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

### **1.32. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### **1.33. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### **1.34. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

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# # APPENDICES

APPENDIX A - Unaudited						
KHAI-MA MUNICIPALITY						
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012						
EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Redeemed written off during the period	Balance at 30 JUNE 2012
<b>ANNUITY LOANS</b>						
ABSA	14.00%	SR Pofadder	30/06/2012	21 892	21 892	-
DBSA	5.00%	NC102355.1.	29/02/2012	377 994	377 994	-
<b>Total Annuity Loans</b>				<b>399 885</b>	<b>399 885</b>	<b>-</b>
<b>LEASE LIABILITY</b>						
Capitalised Lease Liability	10.72%	MP 2851 Copier	30/11/2016	54 529	10 199	44 330
Capitalised Lease Liability	11.02%	MP 2000 Copier	30/11/2016	36 378	6 766	29 612
<b>Total Lease Liabilities</b>				<b>90 907</b>	<b>16 965</b>	<b>73 942</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>490 792</b>	<b>416 850</b>	<b>73 942</b>

# # APPENDICES

APPENDIX B - Unaudited									
KHAJ-MA MUNICIPALITY									
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012									
GENERAL FINANCE STATISTICS CLASSIFICATION									
	Cost/Revaluation				Accumulated Depreciation				Carrying
	Opening	Additions	Write-off	Closing	Opening	Additions	Write-off	Closing	Value
	Balance	(Incl Work-in-progress)		Balance	Balance			Balance	
Executive & Council	1 287 543	171 084	46 665	1 411 962	386 785	172 153	26 213	532 725	879 237
Corporate Services	26 910 163	-	-	26 910 163	13 362	1 336		14 698	26 895 465
Community & Social Services	8 079 374	820 590	411 894	8 488 071	2 134 684	565 096	294 356	2 405 423	6 082 648
Sport & Recreation	6 460 976	-	-	6 460 976	713 447	143 336		856 783	5 604 193
Waste Management	2 749 951	486 950	78 861	3 158 040	1 173 652	496 968	35 049	1 635 571	1 522 469
Waste Water Management	3 635 947	28 448	-	3 664 395	802 043	75 635	-	877 678	2 786 718
Road Transport	2 996 254	389 329	-	3 385 583	886 864	123 809	-	1 010 673	2 374 910
Water	19 178 996	1 442 926	-	20 621 922	4 994 237	366 978	-	5 361 215	15 260 707
Electricity	3 905 515	-	-	3 905 515	1 160 742	80 798	2 690	1 238 851	2 666 665
	<b>75 204 720</b>	<b>3 339 327</b>	<b>537 420</b>	<b>78 006 628</b>	<b>12 265 816</b>	<b>2 026 109</b>	<b>358 308</b>	<b>13 933 617</b>	<b>64 073 011</b>

# # APPENDICES

**APPENDIX C - Unaudited**  
**KHAI-MA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED**  
**30 JUNE 2012**

**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

	2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
Executive & Council	184 899	(3 287 998)	(3 103 099)
Budget & Treasury Office	4 725 060	(7 587 076)	(2 862 015)
Planning & Development	38 911	(294 387)	(255 476)
Community & Social Services	1 354 422	(2 701 948)	(1 347 526)
Housing	6 575 513	(7 310 429)	(734 916)
Public Safety	-	(32 835)	(32 835)
Sport & Recreation	4 391	(291 675)	(287 284)
Waste Management	1 254 782	(3 140 472)	(1 885 690)
Waste Water Management	756 401	(1 970 325)	(1 213 925)
Road Transport	33 054	(751 467)	(718 413)
Water	7 308 400	(7 200 489)	107 911
Electricity	3 964 146	(4 450 143)	(485 997)
Other	10 921 000	(316 850)	10 604 150
<b>Total</b>	<b>37 120 979</b>	<b>(39 336 094)</b>	<b>(2 215 115)</b>

# # APPENDICES

APPENDIX D - Unaudited				
KHA-MA MUNICIPALITY				
REVENUE AND EXPENDITURE				
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012				
GENERAL FINANCE STATISTIC CLASSIFICATIONS				
	2012	2012	2012	2012
	Actual (R)	Budget (R)	Variance (R)	Variance (%)
<b>REVENUE</b>				
Property taxes	2 044 325	1 541 913	502 412	32.58%
Government Grants and Subsidies - Capital	3 147 095	10 427 000	(7 279 905)	-69.82%
Government Grants and Subsidies - Operating	20 651 183	26 619 850	(5 968 667)	-22.42%
Public Contributions and Donations	285 261	246 390	38 871	15.78%
Fines	17 155	20 000	(2 845)	-14.23%
Service Charges	9 188 535	9 201 767	(13 232)	-0.14%
Rental of Facilities and Equipment	129 472	92 500	36 972	39.97%
Interest Earned - external investments	351 442	300 000	51 442	17.15%
Interest Earned - outstanding debtors	854 399	812 840	41 559	5.11%
Licences and Permits	29 353	30 200	(847)	-2.80%
Agency Services	110 457	100 000	10 457	10.46%
Other Income	312 301	352 800	(40 499)	-11.48%
<b>Total Revenue</b>	<b>37 120 979</b>	<b>49 745 260</b>	<b>(12 624 281)</b>	
<b>EXPENDITURE</b>				
Executive & Council	3 287 998	3 401 020	(113 022)	-3.32%
Budget & Treasury Office	7 587 076	6 578 970	1 008 106	15.32%
Planning & Development	294 387	366 140	(71 753)	-19.60%
Community & Social Services	2 701 948	2 617 790	84 158	3.21%
Housing	7 310 429	11 592 620	(4 282 191)	-36.94%
Public Safety	32 835	72 500	(39 665)	-54.71%
Sport & Recreation	291 675	316 530	(24 855)	-7.85%
Waste Management	3 140 472	2 894 830	245 642	8.49%
Waste Water Management	1 970 325	1 639 040	331 285	20.21%
Road Transport	751 467	1 205 090	(453 623)	-37.64%
Water	7 200 489	5 019 740	2 180 749	43.44%
Electricity	4 450 143	4 190 900	259 243	6.19%
Other	316 850	380 000	(63 150)	-16.62%
<b>Total Expenditure</b>	<b>39 336 094</b>	<b>40 275 170</b>	<b>(939 076)</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(2 215 115)</b>	<b>9 470 090</b>	<b>(11 685 205)</b>	

**APPENDIX E - Unaudited**  
**KHAI-MA MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 JUNE 2011	Transfer to Trade Receivables	Restated balance 1 JULY 2011	Contributions during the year	Trade Receivables	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT Recognised as Income	Repaid to NT	Balance 30 JUNE 2012
<b>CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>			<b>R</b>
<b>National Government Grants</b>										
Equitable Share		-	-	10 921 000	-	10 921 000	-	-	-	-
Finance Management Grant	424 223	-	424 223	1 250 000	-	1 679 498	56 272	7 878	-	(69 425)
Municipal Infrastructure Grant	4 676 263	-	4 676 263	8 840 000	-	99 853	2 231 624	266 554	1 673 308	9 244 924
Municipal System Improvement Grant	616 265	-	616 265	790 000	-	381 660	27 678	3 875	616 265	376 787
LGSETA	24 751	-	24 751	38 563	-	29 922	-	-	-	33 392
EPWP (Expanded Public Works Program)	(81 343)	81 343	-	-	-	-	-	-	-	-
<b>Total National Government Grants</b>	<b>5 660 160</b>	<b>81 343</b>	<b>5 741 502</b>	<b>21 839 563</b>	<b>-</b>	<b>13 111 933</b>	<b>2 315 574</b>	<b>278 307</b>	<b>2 289 573</b>	<b>9 585 678</b>
<b>Provincial Government Grants</b>										
Department of Housing and Local Government-Operating	64 318	-	64 318	-	-	-	-	-	-	64 318
Department Sport Arts and Culture - Library Development	9 931	-	9 931	416 000	-	262 756	27 132	1 239	-	134 805
Provincial Infrastructure Grant	6 750	-	6 750	-	-	-	-	-	-	6 750
COHSTRA: Project NALA	176 089	-	176 089	-	-	176 089	-	-	-	-
Department Environmental Affairs and Conservation	41 764	-	41 764	-	-	-	-	-	-	41 764
Department of Housing and Local Government - Housing	(255 332)	-	(255 332)	6 478 994	-	5 754 893	-	-	-	468 769
Housing : 30 NAMDEV Houses	-	-	-	820 620	-	820 620	-	-	-	-
<b>Total Provincial Government Grants</b>	<b>43 521</b>	<b>-</b>	<b>43 521</b>	<b>7 715 614</b>	<b>-</b>	<b>7 014 358</b>	<b>27 132</b>	<b>1 239</b>	<b>-</b>	<b>716 406</b>
<b>District Municipality Grants</b>										
Namakwa District Municipality - Capital	405 138	-	405 138	599 180	471 617	524 892	804 389	-	-	146 654
<b>Total District Municipality Grants</b>	<b>405 138</b>	<b>-</b>	<b>405 138</b>	<b>599 180</b>	<b>471 617</b>	<b>524 892</b>	<b>804 389</b>	<b>-</b>	<b>-</b>	<b>146 654</b>
<b>Other Grant Providers</b>										
Namakwa Diamond Fund Trust	9 181	-	9 181	-	-	-	-	-	-	9 181
<b>Total District Municipality Grants</b>	<b>9 181</b>	<b>-</b>	<b>9 181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 181</b>
<b>Total</b>	<b>6 117 999</b>	<b>81 343</b>	<b>6 199 342</b>	<b>30 154 357</b>	<b>471 617</b>	<b>20 651 183</b>	<b>3 147 095</b>	<b>279 546</b>	<b>2 289 573</b>	<b>10 457 919</b>